The Johns Hopkins Health System Corporation and Affiliates

Reports on Federal and Florida State Awards in Accordance with Uniform Guidance; Section 215.97, Florida Statutes; and Chapter 10.650, Rules of the Florida Auditor General
June 30, 2023
Federal Entity Identification Number 52-1465301

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Part I

Financial Statements and
Schedules of Expenditures of Federal Awards and
Florida State Financial Assistance

Year Ended June 30, 2023

Report of Independent Auditors

To the Board of Trustees of
The Johns Hopkins Health System Corporation:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of the Johns Hopkins Health System Corporation and its affiliates ("JHHS"), which comprise the consolidated balance sheets as of June 30, 2023 and 2022, and the related consolidated statements of operations and changes in net assets, and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of JHHS as of June 30, 2023 and 2022, and the results of its operations and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of JHHS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about JHHS' ability to continue as a going concern for one year after the date the financial statements are issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS and *Government Auditing Standards*, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of JHHS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about JHHS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedules of expenditures of federal awards and Florida state financial assistance for the year ended June 30, 2023 are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and *Section 215.97, Florida Statues, and Chapter 10.650 Rules of the Florida Auditor General,* respectively, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal awards and Florida state financial assistance are fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2023 on our consideration of JHHS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2023. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering JHHS' internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

Baltimore, Maryland
September 29, 2023

The Johns Hopkins Health System Corporation and Affiliates
Consolidated Balance Sheets
June 30, 2023 and 2022

(in thousands)	2023	2022
Assets		
Current assets		
Cash and cash equivalents	$ 1,005,397	$ 945,051
Short-term investments	141,958	161,438
Assets whose use is limited - used for current liabilities	246	4,693
Patient accounts receivable, net	767,616	801,743
Due from others	237,745	188,054
Due from affiliates	10,596	23,790
Inventories of supplies	178,775	166,225
Estimated malpractice recoveries	53,801	62,778
Prepaid expenses and other current assets	52,545	44,021
Total current assets	2,448,679	2,397,793
Assets whose use is limited		
By donors or grantors for		
Pledges receivable	25,739	32,150
Other	172,563	156,330
By Board of Trustees	684,838	629,513
Other	26,815	23,198
Total assets whose use is limited	909,955	841,191
Investments	3,455,313	3,183,564
Property, plant and equipment, net	2,662,352	2,694,868
Finance lease right-of-use assets	71,368	82,527
Operating lease right-of-use assets	118,364	116,981
Due from affiliates, net of current portion	50,597	51,452
Estimated malpractice recoveries, net of current portion	57,359	54,345
Swap counterparty deposit	17,494	23,164
Other assets	24,530	54,797
Total assets	$ 9,816,011	$ 9,500,682

The accompanying notes are an integral part of these consolidated financial statements.

The Johns Hopkins Health System Corporation and Affiliates
Consolidated Balance Sheets
June 30, 2023 and 2022

(in thousands)	2023	2022
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt	$ 203,423	$ 438,051
Finance lease liabilities	14,548	13,843
Operating lease liabilities	21,709	24,393
Accounts payable and accrued liabilities	879,880	892,823
Medical claims reserve	161,264	136,201
Deferred revenue	186,213	20,005
Due to affiliates	15,549	17,193
Advances from third-party payors	135,200	132,990
Current portion of estimated malpractice costs	56,461	93,083
Total current liabilities	1,674,247	1,768,582
Long-term debt, net of current portion	1,483,601	1,403,831
Finance lease liabilities, net of current portion	75,307	88,620
Operating lease liabilities, net of current portion	111,896	100,941
Estimated malpractice costs, net of current portion	187,674	198,221
Net pension liability	316,102	410,523
Other long-term liabilities	223,950	286,906
Total liabilities	4,072,777	4,257,624
Net assets		
Net assets without donor restrictions	5,539,164	5,049,181
Net assets with donor restrictions	204,070	193,877
Total net assets	5,743,234	5,243,058
Total liabilities and net assets	$ 9,816,011	$ 9,500,682

The accompanying notes are an integral part of these consolidated financial statements.

The Johns Hopkins Health System Corporation and Affiliates
Consolidated Statements of Operations and Changes in Net Assets
For the Years Ended June 30, 2023 and 2022

(in thousands)	2023	2022
Operating revenues and other support		
Net patient service revenue	$ 4,829,963	$ 4,611,993
Insurance premium revenue	2,562,252	2,509,304
Other revenue	1,162,787	1,016,065
Net assets released from restrictions used for operations	17,730	18,314
Total operating revenues and other support	8,572,732	8,155,676
Operating expenses		
Salaries, wages and benefits	2,900,754	2,700,684
Purchased services	3,519,574	3,474,920
Supplies and other	1,614,831	1,464,531
Interest	69,699	47,650
Depreciation and amortization	291,047	298,107
Total operating expenses	8,395,905	7,985,892
Income from operations	176,827	169,784
Nonoperating revenues and expenses		
Interest expense on swap agreements	(8,032)	(23,809)
Changes in fair value of interest rate swap agreements	42,374	107,992
Investment return, net	395,075	(522,651)
Other components of net periodic pension cost	31,353	(42,928)
Academic mission support and other	(152,794)	(26,413)
Excess of revenues over (under) expenses	484,803	(338,025)
Contributions from affiliates	455	280
Changes in funded status of defined benefit plans	16,930	346,353
Net assets released from restrictions used for purchases of property, plant and equipment	5,044	4,150
Other	(17,249)	(17,870)
Increase (decrease) in net assets without donor restrictions	489,983	(5,112)
Changes in net assets with donor restrictions		
Gifts, grants and bequests	31,986	26,914
Net assets released from restrictions used for purchases of property, plant and equipment	(5,044)	(4,150)
Net assets released from restrictions used for operations	(17,730)	(18,314)
Other	981	-
Increase in net assets with donor restrictions	10,193	4,450
Increase (decrease) in net assets	500,176	(662)
Net assets		
Beginning of year	5,243,058	5,243,720
End of year	$ 5,743,234	$ 5,243,058

The accompanying notes are an integral part of these consolidated financial statements.

The Johns Hopkins Health System Corporation and Affiliates
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

(in thousands)	2023	2022
Operating activities		
Changes in net assets	$ 500,176	$ (662)
Adjustments to reconcile change in net assets to net cash, cash equivalents and restricted cash provided by operating activities		
Depreciation and amortization	291,047	298,107
Net realized and changes in unrealized (gains) losses on investments	(325,640)	589,087
Changes in fair value of interest rate swap agreements	(42,374)	(107,992)
Changes in funded status of defined benefit plans	(16,930)	(346,353)
Restricted contributions and investment income received	(10,850)	(4,151)
Return on equity method investments	4,120	913
Other operating activities	5,326	23,961
Changes in assets and liabilities		
Patient accounts receivable	34,127	(121,923)
Inventories of supplies, prepaid expenses and other current assets	(64,092)	(51,223)
Due from affiliates, net	(2,144)	2,144
Pledges receivable	6,411	6,316
Other assets and other long-term liabilities, net	5,824	12,276
Accounts payable and accrued liabilities	(30,163)	15,199
Medical claims reserve	25,063	16,488
Deferred revenue	166,208	(138,149)
Advances from third-party payors	2,210	16,699
Accrued pension benefit costs	(76,465)	4,369
Estimated malpractice costs	(11,137)	(10,826)
Cash provided by operating activities	460,717	204,280
Investing activities		
Purchases of property, plant and equipment	(251,529)	(178,510)
Investment in joint ventures	(11,681)	(18,829)
Purchases of investment securities	(1,635,898)	(3,426,029)
Sales of investment securities	1,650,305	3,399,859
Payments received on affiliate notes	15,941	18,918
Advances on affiliate notes	(3,000)	(10,110)
Payments for other capital expenditures	(62,598)	-
Reimbursement of other capital expenditures	62,598	-
Swap counterparty deposit	5,670	49,743
Cash used in investing activities	(230,192)	(164,958)
Financing activities		
Restricted contributions and investment income received	10,850	4,151
Proceeds from long-term borrowings	246,165	10,000
Repayments of long-term debt	(399,476)	(50,861)
Proceeds from lines of credit	30,000	-
Repayments of lines of credit	(30,000)	-
Repayments of obligations under a financing lease	(13,534)	(12,561)
Other financing activities	(17,246)	(15,868)
Cash used in financing activities	(173,241)	(65,139)
Change in cash, cash equivalents and restricted cash	57,284	(25,817)
Cash, cash equivalents and restricted cash		
Beginning of year	994,845	1,020,662
End of year	$ 1,052,129	$ 994,845
Supplemental disclosure of cash flow information		
Purchases of property, plant and equipment in accounts payable	$ 38,496	$ 21,658
Assets acquired under operating leases	35,037	28,763
Interest paid	81,164	72,017

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

The Johns Hopkins Health System Corporation ("JHHSC") is incorporated in the State of Maryland to, among other things, formulate policy among and provide centralized management for JHHSC and Affiliates ("JHHS"). In addition, it provides certain shared services including finance, human resources, payroll, accounts payable, purchasing, patient financial services, legal, and other functions. JHHS is organized and operated for the purpose of promoting health by functioning as a parent holding company of affiliates whose combined mission is to provide patient care in the treatment and prevention of human illness which compares favorably with that rendered by any other institution in this country or abroad.

JHHSC is the sole member of The Johns Hopkins Hospital ("JHH"), an academic medical center, Johns Hopkins Bayview Medical Center, Inc. ("JHBMC"), a community based teaching hospital, Johns Hopkins Howard County Medical Center ("JHHCMC"), a community based hospital, Suburban Hospital, Inc. ("SHI"), a community based hospital, Sibley Memorial Hospital ("SMH"), a community based hospital, Johns Hopkins All Children's Hospital, Inc. ("JHACH"), an academic children's hospital, Suburban Hospital Healthcare System, Inc. ("SHHS"), a diverse healthcare system, All Children's Health System ("ACHS"), a diverse healthcare system, Johns Hopkins Community Physicians ("JHCP"), a community based physician practice group, The Johns Hopkins Medical Services Corporation ("JHMSC"), the contracting entity for the Uniformed Services Family Health Plan ("USFHP") contract, Potomac Home Health Care, Inc. ("PHHC"), a full service Medicare certified home health agency, Potomac Home Support, Inc. ("PHS"), a private pay services company, and the HCGH OB/GYN Associates Series, LLC ("HCOB"), a taxable community based obstetrics and gynecology practice. JHHSC is also the sole shareholder of Howard County Health Services, Inc. ("HCSI"), a taxable entity organized to hold interests in various health care enterprises, Johns Hopkins Medical Management Corp. ("JHMMC"), a taxable entity that provides temporary nursing and clerical staffing, promotes ambulatory care arrangements in support of JHHS, and houses commercial supply chain business units, Johns Hopkins Employer Health Programs, Inc. ("EHP"), a taxable third-party administrator for employee health benefit plans self-funded by the constituent employee sponsors, Johns Hopkins Consolidated Services Center ("JHCSC"), a taxable distribution center providing commodity supplies to JHHS affiliates, Johns Hopkins Clinical Alliance, LLC ("JHCA"), a clinically integrated network that seeks to improve patient experience and support independent physicians in value-based care, and JHHS Innovation LLC ("Innovation"), a Maryland based LLC formed to hold stock, membership interests or other assets which result from the commercialization of JHHS' intellectual property. JHHSC and the Johns Hopkins University (the "University") each own a 50% membership interest in Johns Hopkins HealthCare LLC ("JHHC"), a taxable managed care entity supporting JHHS and the University in cooperative strategies by which patient care, education, and research may be advanced. JHHSC consolidates JHHC due to having control of JHHC. These entities are collectively known as the "Affiliates."

The University is a privately endowed institution that provides education and related services to students and others, research and related services to sponsoring organizations, and professional medical services to patients. The University is a separate legal entity from JHHSC with its own Board of Trustees. The University does not assume any responsibility or liability for the financial obligations of JHHS and JHHS does not assume any responsibility or liability for the financial obligations of the University. The University owns membership interests in some of the affiliates of JHHS. Professional clinical services are also provided by members of the University's faculty to patients at JHHS hospitals. See Note 15 for further details.

Use of Estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates made by management include the estimated net realizable value of patient receivables, valuation of alternative investments, the actuarially determined pension benefits, medical claims reserve, and malpractice and self-insurance reserves.

Basis of Presentation
The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation
The consolidated financial statements include the accounts of JHHSC and all Affiliates after elimination of all significant intercompany accounts and transactions.

Cash and Cash Equivalents
Cash and cash equivalents include amounts held in accounts with depository institutions which are readily convertible to cash, with original maturities of three months or less. Total deposits maintained at these institutions at times exceed the amount insured by federal agencies and therefore, bear a risk of loss. JHHS has not experienced such losses on these funds.

Through arrangements with banks, excess operating cash is held on deposit or invested daily. These investments are considered cash equivalents in the accompanying Consolidated Balance Sheets. JHHS earns interest on these funds at a rate that is based upon the bank's Federal Funds rate. The interest is recorded in the Consolidated Statements of Operations and Changes in Net Assets as investment return, net.

Restricted Cash
The Consolidated Statements of Cash Flows explain the change during the period in the total of cash, cash equivalents and restricted cash.

JHHS holds cash that is restricted by bond agreements, to comply with hospital and/or foundation donor restrictions, to be used for campus development and other strategic investments, and to comply with contractual agreements. Restricted cash balances were $46.7 million and $49.8 million as of June 30, 2023 and 2022, respectively, and are classified within assets whose use is limited in the Consolidated Balance Sheets. See Note 5 for further details.

Patient Accounts Receivable
Patient accounts receivable consist primarily of amounts owed by various governmental agencies, insurance companies and patients. JHHS manages these receivables by regularly reviewing the accounts and contracts and by recording appropriate price concessions. JHHS reports accounts receivable at an amount equal to the consideration it expects to receive in exchange for providing healthcare services to its patients, which is estimated using contractual provisions associated with specific payors, historical reimbursement rates and analysis of past experience to estimate potential adjustments. JHHS writes off amounts that have been deemed to be uncollectible because of circumstances that affect the ability of payors to make payments as they occur.

Due From Others

Due from others primarily includes receivables related to the hospital outpatient pharmacies, pharmacy rebate accruals, grants, third-party contracts, JHHC working capital advances, third-party settlements and Employee Retention Credit ("ERC") receivables.

Due From Affiliates

Due from affiliates primarily includes loans and other receivable balances from certain affiliates that do not consolidate within JHHS. See Note 14 for further details.

Inventories of Supplies

Inventories of supplies are composed of medical supplies, drugs, linen, and parts inventory for repairs. Inventories of supplies are recorded at lower of cost or net realizable value using a first in, first out method.

Assets Whose Use is Limited

Assets whose use is limited ("AWUIL") restricted by donors are recorded at fair value at the date of donation. Investment gains or losses on investments of assets with donor restrictions are recorded as an increase or decrease in net assets with donor restrictions to the extent restricted by the donor or law. Contributed assets whose donor restrictions are met within the same year are reported as increases in net assets without donor restrictions. The cost of securities sold is based on the specific identification method.

Assets whose use is limited include assets held by trustees under debt agreements, assets restricted by the Board of Trustees for future capital improvements and other strategic investments, pledges receivable, beneficial interest remainder trusts, and net assets set aside pursuant to their donor restricted nature. The carrying amounts reported in the Consolidated Balance Sheets represent fair value.

Investments and Investment Income

Debt and equity securities traded on a national securities and international exchange are valued as of the last reported sales price on the last business day of the fiscal year; investments traded on the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and ask prices.

Investments include managed funds, which include hedge funds, private partnerships and other investments (collectively "alternative investments") which do not have readily ascertainable fair values and may be subject to withdrawal restrictions.

Alternative investments are less liquid than other types of investments held by JHHS. These instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of oversight, dependence upon key individuals, emphasis on speculative investments, and nondisclosure of portfolio composition.

Investment income earned on cash equivalents and investment balances (interest and dividends), realized gains or losses related to the sale of investments, and changes in unrealized gains or losses on investments are included in the nonoperating section of the Consolidated Statements of Operations and Changes in Net Assets included within excess of revenues over expenses unless the income or loss is restricted by donor or law. Investments classified as noncurrent on the Consolidated Balance Sheets include investments that are not expected to be converted to cash within one year; however, if needed, these investments can be made available for general expenditure.

Participation in Joint Ventures

JHHS participates in several joint ventures which JHHS has determined are central to its operations and mission. These investments are recorded within investments on the Consolidated Balance Sheets. Investments in companies in which JHHS does not have control, but has the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method of accounting, and operating results flow through other revenue on the Consolidated Statements of Operations and Changes in Net Assets. Dividends received are recorded as a reduction of the carrying amount of the investment. JHHS has elected the cumulative earnings approach under ASU 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments” for determining cash flow presentation of distributions from its equity method investments. Distributions received are included in the Consolidated Statements of Cash Flows as operating activities, unless the cumulative distributions exceed JHHS’ portion of the cumulative equity in the net earnings of the joint venture, in which case the excess distributions are deemed to be returns of the investment and are classified as investing activities in the Consolidated Statements of Cash Flows. See Note 5 for further details

Investments in companies in which JHHS does not have control, nor has the ability to exercise significant influence over operating and financial policies, are measured at cost with adjustments for observable changes in price or impairments (referred to as the measurement alternative in accordance with ASU 2016-01, “Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities”). JHHS performs a qualitative assessment on an annual basis and recognizes an impairment if there are sufficient indicators that the fair value of the investment is less than its carrying value. No impairment was recognized for the years ended June 30, 2023 and 2022.

Property, Plant and Equipment

Property, plant and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Estimated useful lives assigned by JHHS range from 2 to 25 years for land improvements, 3 to 45 years for buildings and improvements, 2 to 25 years for fixed and movable equipment, and 2 to 20 years for leasehold improvements (using the lesser of the lease term or the useful life of the improvement). Interest costs incurred on all borrowed funds, net of income earned on unspent proceeds, during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets. Repair and maintenance costs are expensed as incurred. When property, plant and equipment are retired, sold or otherwise disposed of, the asset’s carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operating income.

Capitalized costs of software include payment to vendors for the purchase of software and assistance in its installation, payroll costs of employees directly involved in the software installation, and capitalized interest costs of the software project. Preliminary costs to document system requirements, vendor selection, and any costs incurred before the software purchase are expensed. Capitalization of costs ends when the project is completed and is ready to be used. Where implementation of the project is in phases, only those costs incurred which further the development of the project are capitalized. Costs incurred to maintain the system, including training and data conversion costs, are expensed.

Gifts of cash or other financial assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expiration of donor restrictions are reported when the donated nonfinancial gift is placed in service.

Leases
JHHS leases property and equipment under finance and operating leases and evaluates whether a contract is or contains a lease at the inception of the contract. JHHS considers a contract to be a lease when control of an asset not owned by JHHS is obtained for a period of time and in exchange for consideration. The term of a lease may include options to renew or early termination options when JHHS is reasonably certain to exercise those options.

Lessee
JHHS, as a lessee, recognizes a right-of-use ("ROU") asset and lease liability on the Consolidated Balance Sheets for its operating and finance leases as of the lease commencement date. ROU assets represent JHHS' right to use the underlying asset and the lease liabilities represent JHHS' obligation to make lease payments measured on a discounted basis. For JHHS leases where the rate implicit in the lease is not readily available, JHHS utilizes its collateralized incremental borrowing rate based on the estimated interest rate for borrowing over a term similar to that of the lease payments available at commencement of the lease. Lease liabilities are recognized at the commencement date of the lease and are based on the present value of lease payments over the lease term. ROU assets are measured at an amount equal to the initial lease liability, plus any prepaid lease payments (less any incentives received, such as reimbursement for leasehold improvements) and initial direct costs, at the lease commencement date. JHHS does not record a ROU asset or lease liability on the Consolidated Balance Sheets for leases with a term of one year or less. These short-term leases are recorded on a straight-line basis within purchased services on the Consolidated Statements of Operations and Changes in Net Assets.

Lease contracts may contain lease and nonlease components, such as provisions to pay for other goods or services (e.g. pay for medical supplies or maintenance). For real estate leases, JHHS as a practical expedient has elected to account for lease and nonlease components together as a single combined lease component. For all other nonreal estate leases, JHHS accounts for the lease and nonlease components separately and allocates the contract payments to the lease and nonlease components based on estimated stand-alone selling prices.

Certain lease agreements for real estate include payments based on actual common area maintenance expenses and/or include rental payments adjusted periodically for inflation. These variable lease payments are recognized in purchased services in the Consolidated Statements of Operations and Changes in Net Assets but are not included in the ROU asset or liability balances in the Consolidated Balance Sheets. Lease agreements do not contain any material residual value guarantees, restrictions or covenants.

JHHS classifies its leases as either operating or finance depending upon the terms and conditions set forth in the lease. JHHS recognizes operating lease expense on a straight-line basis within purchased services in the Consolidated Statements of Operations and Changes in Net Assets over the term of the lease. The ROU asset is generally reduced each period by an amount equal to the difference between the operating lease expense and the amount of interest expense on the lease liability utilizing the effective interest method. Finance lease assets are amortized on a straight-line basis within depreciation over the term of the lease. Interest expense associated with finance leases is recorded using the effective interest method and is included in operating interest expense. JHHS recognizes variable expenses, other than those related to rates or indices, in operating expenses in the period in which the obligation is incurred.

Lessor
JHHS is also a lessor and sub-lessor of real estate under operating leases. JHHS records revenue associated with leases within other revenue in the Consolidated Statements of Operations and Changes in Net Assets on a straight-line basis over the term of the lease. Lease payments include fixed payments but are reduced for any lease incentives. Variable payments relating to the lease are recognized within other revenue in the Consolidated Statements of Operations and Changes in Net Assets. JHHS as a practical expedient has elected to combine all lease and nonlease components as a single combined component of the same contract. Assets subject to operating leases are carried at cost within property, plant and equipment, net in the Consolidated Balance Sheets and are depreciated over their estimated useful lives.

Impairment of Long-Lived Assets
Long-lived assets are reviewed for impairment when events and circumstances indicate that the carrying amount of an asset may not be recoverable. JHHS' policy is to record an impairment loss when it is determined that the carrying amount of the asset exceeds the sum of the expected undiscounted future cash flows resulting from use of the asset and its eventual disposition. Impairment losses are measured as the amount by which the carrying amount of the asset exceeds its fair value. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No material impairment expense was recognized for the years ended June 30, 2023 and 2022.

Medical Claims Reserve
JHHC's medical claims reserve is an estimate of payments to be made for reported claims and losses incurred but not reported. The estimate was developed using actuarial methods based upon historical data for payment patterns, cost trends, and other relevant factors. The estimate is continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operating income.

Deferred Revenue
Deferred revenue includes JHHC's capitated receipts received in advance for future services to be provided and JHHS grant funding received where the conditions have not been met.

Accrued Vacation
JHHS' employees earn vacation days at varying rates depending on years of service. Vacation time accumulates up to certain limits, at which time no additional vacation hours can be earned. Certain employees receive a fixed amount of vacation time that does not carry over at the end of the calendar year. JHHS records a liability within accounts payable and accrued liabilities in the Consolidated Balance Sheets for amounts due to employees for future absences which are attributable to services performed in the current and prior periods.

Advances From Third-Party Payors
JHHS' Maryland hospitals receive advances from some of its third-party payors so that those payors can receive the stated prompt pay discount allowed in the State of Maryland. Advances are recorded as a current liability in the Consolidated Balance Sheets.

Estimated Workers' Compensation, Employee Health Claims and Malpractice Costs
The provision for estimated workers' compensation, employee health claims and medical malpractice claims include estimates of the ultimate gross costs for both reported claims and claims incurred but not reported. For malpractice an insurance recovery has been recorded representing the amount expected to be recovered from the self-insured captive insurance company. See Note 13 for further details.

Swap Agreements
JHHS follows accounting guidance on derivative financial instruments that are based on whether the derivative instrument meets the criteria for designation as cash flow or fair value hedges. All of JHHS' derivative financial instruments are interest rate swap agreements without hedge accounting designation. JHHS does not hold derivative instruments for the purpose of managing credit risk and limits the amount of credit exposure to any one counterparty and enters into derivative transactions with high quality counterparties. JHHS recognizes interest expense on swap agreements as a nonoperating expense within excess of revenues over expenses on the Consolidated Statements of Operations and Changes in Net Assets.

The values of the interest rate swap agreements entered into by JHHS are adjusted to fair value monthly at the close of each accounting period based upon quotations from market makers. The change in fair value, if any, is recorded in the nonoperating section of the Consolidated Statements of Operations and Changes in Net Assets. Entering into interest rate swap agreements involves, to varying degrees, elements of credit, default, prepayment, market and documentation risk in excess of the amounts recognized on the Consolidated Balance Sheets. Such risks involve the possibility that there will be no liquid market for these agreements. The counterparty to these agreements may default on its obligation to perform and there may be unfavorable changes in interest rates.

Each swap agreement has certain collateral thresholds whereby, on a daily basis, if the fair value of the swap agreement declines such that its devaluation exceeds the threshold, cash must be deposited by JHHS with the swap counterparty for the difference between the threshold amount and the fair value, which is held as a non-current asset on the Consolidated Balance Sheets.

Noncontrolling Interests
JHHC is owned by JHHSC and the University, each member having a 50% interest. JHHC's profits are divided between the members based on product line. Based on control via majority voting interest, JHHSC consolidates JHHC and records noncontrolling interests for the profits attributable to the University. Additionally, JHHC owns a 50% interest in Priority Partners Managed Care Organization, Inc. ("Priority Partners"), a for-profit joint venture approved by the State of Maryland to operate as an authorized Medicaid managed care organization. Based on controlling financial interest, JHHC consolidates Priority Partners and records noncontrolling interests for 50% of the profits. See Note 5 for further details.

Other Long-Term Liabilities
Derivative financial instruments are recorded at fair value and are included in other long-term liabilities on the Consolidated Balance Sheets. See Note 10 for further details. Also included in other long-term liabilities are amounts owed to The Johns Hopkins University School of Medicine ("JHUSOM") for the restricted purpose of supporting JHUSOM's recruitment, employment and start-up costs of new clinically-focused physician providers, and deferred income from JHUSOM payments for future use of common space in the medical research building. See Note 15 for further details.

Pension Benefit Plans
JHHS' defined benefit plans are measured using actuarial techniques that reflect management's assumptions for discount rate, expected investment returns on plan assets, salary increases, expected retirement, mortality, and employee turnover. The discount rate (which is required to be the rate at which the projected benefit obligation could be effectively settled as of the measurement date) is determined with the assistance of actuaries, who calculate the yield on a theoretical portfolio of high-grade corporate bonds (rated Aa or better) with cash flows that are designed to match expected benefit payments in future years. The expected rate of return is a judgmental matter that is reviewed annually, and was developed based on historical returns for the major asset classes, and considered both current market conditions and projected future conditions. The FASB guidance related to employers' accounting for defined benefit pension and other postretirement plans requires that the funded status of defined benefit postretirement plans be recognized on JHHS' Consolidated Balance Sheets, and changes in the funded status be reflected as a change in net assets without donor restrictions in the Consolidated Statements of Operations and Changes in Net Assets. JHHS uses mark-to-market accounting as it relates to net assets and immediately recognizes changes in the fair value of plan assets and actuarial gains or losses in net assets annually. The components of pension expense, including service and interest costs, amortization of actuarial gains or losses, and the expected return on plan assets, are recorded on a monthly basis and are included within excess of revenues over expenses on the Consolidated Statements of Operations and Changes in Net Assets. See Note 12 for further details.

Net Assets
Net assets without donor restrictions include undesignated amounts as well as amounts designated by the Board of Trustees for a specific purpose. Net assets with donor restrictions are those whose use has been limited by donors or law to a specific time period or purpose. JHHS also has net assets with donor restrictions that have been restricted by donors to be maintained in perpetuity. Income generated from these assets is available as restricted by the donor or for general program support.

Donor Restricted Gifts
Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Unconditional promises to give cash to JHHS greater than one year are discounted using a rate of return that a market participant would expect to receive at the date the pledge is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the condition is satisfied. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose for the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statements of Operations and Changes in Net Assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reported as other revenue in the Consolidated Statements of Operations and Changes in Net Assets.

Grants
JHHS receives various grants from private entities and agencies of the Federal and State Governments for the purpose of furthering its mission of providing patient care. JHHS and its affiliates receive contributions in the form of conditional government grants and other conditional donor contributions. These grants are carried out for research activities that benefit the general public, and not for the government's own use. Therefore, JHHS has determined that there is not an exchange back to the granting authority and accounts for these grants under the contribution model (ASC 958-605), which is outside the scope of ASC 606. The grants are considered

conditional due to the requirement of spending the awarded funds on qualifying expenses and the right of return for unexpended funds. Once the condition is met, grant receivables are included in due from others in the Consolidated Balance Sheets and grant income is included in other revenue in the Consolidated Statements of Operations and Changes in Net Assets. Unspent conditional contributions where cash has been received from grants totaled $7.1 million as of June 30, 2023 and 2022, and are recorded in deferred revenue on the Consolidated Balance Sheets. As of June 30, 2023 and 2022, JHHS and its affiliates had $68.8 million and $80.6 million of conditional contributions for which the conditions have not been met and the funding has not been received, and therefore they have not been recorded on the Consolidated Balance Sheets.

Nonoperating Revenues and Expenses

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as nonoperating revenues and expenses. Nonoperating revenues and expenses are composed primarily of interest paid and changes in market value on interest rate swap agreements, investment return, net, other nonservice cost components of net periodic pension cost, funding for research and education activities conducted by JHUSOM, which are deemed to be outside the normal operations of JHHS' clinical setting, and other nonoperating services.

Excess of Revenues Over Expenses

The Consolidated Statements of Operations and Changes in Net Assets include excess of revenues over expenses. Changes in net assets without donor restriction which are excluded from excess of revenues over expenses, consistent with accounting guidance for healthcare organizations, include, among other items, change in funded status of defined benefit plans, permanent transfers of assets to and from affiliates for other than goods or services, and contributions of long-lived assets (including assets acquired using donor restricted contributions which were to be used for the purposes of acquiring such assets).

Income Taxes

JHHSC and Affiliates, except JHMMC, EHP, HCSI, HCOB, and JHHC are not-for-profit organizations that qualify under Section 501(c)(3) of the Internal Revenue Code, and are therefore not subject to tax under current income tax regulations, except on unrelated business income.

JHHC is classified as a partnership for Federal and State income tax purposes and accordingly, there is no provision for income taxes in the accompanying consolidated financial statements. Taxable income or loss passes through to and is reported by the members in their respective tax returns. Taxable subsidiaries of Affiliates account for income taxes in accordance with FASB's guidance on accounting for income taxes. Deferred income taxes are recognized for the tax consequences in future years for differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end. Affiliate subsidiaries otherwise exempt from Federal and State taxation are nonetheless subject to taxation at corporate tax rates at both the Federal and State levels on their unrelated business income. Total taxes paid to Federal and State tax authorities during the years ended June 30, 2023 and 2022 amounted to $48.1 million and $34.9 million, respectively.

FASB's guidance on accounting for uncertainty in income taxes clarifies the accounting for uncertainty of income tax positions. This guidance defines the threshold for recognizing tax return positions in the financial statements as "more likely than not" that the position is sustainable, based on its technical merits. The standard also provides guidance on the measurement, classification and disclosure of tax return positions in the financial statements. There was no significant impact on JHHS' consolidated financial statements during the years ended June 30, 2023 and 2022.

New and Recently Adopted Accounting Standards
In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments. The previous standard delays the recognition of a credit loss on a financial asset until the loss is probable of occurring. The new standard removes the requirement that a credit loss be probable of occurring for it to be recognized, and requires entities to use historical experience, current conditions, and reasonable and supportable forecasts to estimate their future expected credit losses. The standard is required to be applied using the modified retrospective approach with a cumulative-effect adjustment to net assets, if any, upon adoption. ASU 2016-13 was effective for JHHS July 1, 2023. JHHS is currently evaluating the impact of this update on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15 "Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract." ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The guidance also requires that the capitalized costs be expensed over the term of the hosting arrangement and that the expense and cash flows of the capitalized expense be presented in the same place on the Consolidated Statements of Operations and Changes in Net Assets and Consolidated Statements of Cash Flows, respectively. Similarly, the capitalized costs are required to be presented on the Consolidated Balance Sheets in the same line item that a prepayment of the fees of the associated hosting arrangement would be presented. ASU 2018-15 was effective for JHHS beginning with fiscal year 2022. There was no significant impact on JHHS' consolidated financial statements during the year ended June 30, 2022.

In March 2020, the FASB issued ASU 2020-04 "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." ASU 2020-04 provides optional expedients for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this update apply only to contracts, hedging relationships, and other transactions that reference the London Inter-bank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. Specifically, to the extent JHHS' debt and other agreements are modified to replace LIBOR with another interest rate index, ASU 2020-04 will permit JHHS to account for the modification as a continuation of the existing contract without additional analysis. ASU 2020-04 is effective for JHHS as of March 12, 2020 through December 31, 2022. In January 2021, the FASB issued ASU 2021-01 "Reference Rate Reform (Topic 848): Scope" which clarifies that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. ASU 2021-01 is effective for JHHS as of January 7, 2021 through December 31, 2022. In December 2022, the FASB issued ASU 2022-06, "Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848" to extend the period the optional expedients can be applied from December 31, 2022 to December 31, 2024. ASU 2020-04, 2021-01 and 2022-06 are applicable to certain JHHS contracts in connection with the issuance of debt and derivative financial instruments. During fiscal year 2023 JHHS adopted the optional relief guidance provided under ASU 2020-04 in connection with the amendment of Series 2012A tax-exempt revenue bond, Series 2017A taxable revenue bond and Series 2018 taxable revenue bond. The amendments were done in response to the planned phase out of LIBOR and the only contractual change was to update the reference rate from LIBOR to the Secured Overnight Financing Rate ("SOFR"). See Note 8 for further details. There was no material impact to JHHS' consolidated financial statements during the year ended June 30, 2023 as a result of adoption of this standard. Effective July 1, 2023 the optional relief guidance provided under ASU 2020-04 was further used in connection with the amendments to JHHS' derivative relationships. These amendments were also executed in response to the phase out of LIBOR and the only contractual change was to update the reference rate from LIBOR to SOFR.

2. Revenue Recognition and Accounts Receivable

Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration to which JHHS expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and are net of variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, JHHS bills its patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by JHHS. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected charges. JHHS believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in JHHS hospitals receiving inpatient acute care services or patients receiving services in outpatient centers. JHHS measures the performance obligation from admission into the hospital, or the commencement of an outpatient service, to the point when there are no further services required for the patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our patients or customers in a retail setting (for example, pharmaceuticals and medical equipment) where JHHS does not believe it is required to provide additional goods or services to the patient.

Since generally all of its patient service performance obligations relate to contracts with a duration of less than one year, JHHS has elected to apply the optional exemption provided in ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

JHHS determines the transaction price based on gross charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with JHHS' policy, and implicit price concessions provided to uninsured and self-pay patients. JHHS determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. Fixed discounts are generally determined based upon regulatory authorities in the case of Maryland hospitals and by legislative statute in the case of Medicare and Medicaid, and negotiated in the case of commercial payors for the hospitals outside of Maryland. JHHS determines its estimate of implicit price concessions based on its historical collection experience, adjusted for changes in current events or economic conditions, with these classes of patients using a portfolio approach as a practical expedient. The portfolio approach is being used as JHHS has a large volume of similar contracts with similar classes of customers. Management's judgment to group the contracts by portfolio is based on the payment behavior expected in each portfolio category. JHHS reasonably expects that the effect of applying a portfolio approach to a group of contracts would not differ materially from considering each contract separately.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. No significant amounts of revenues were recognized in the current year due to changes in the estimates of implicit price concessions, discounts and contractual adjustments for performance obligations satisfied in prior years. Amounts recorded as net patient revenue that are subsequently determined to be uncollectible due to an adverse change in the patient's or third-party payor's ability to pay are recorded as bad debt expense. Bad debt expense is reported as a component of supplies and other in the Consolidated Statements of Operations and Changes in Net Assets and was not material for the years ended June 30, 2023 and 2022. Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows.

Adjustments mandated by the Health Services Cost Review Commission ("Commission" or "HSCRC") for hospitals in the State of Maryland are included in contractual adjustments, a portion of which are also included in established rates. See Note 16 for further discussion on the HSCRC and regulated rates. SMH and JHACH operate outside of the State of Maryland, and are paid prospectively based upon negotiated rates for commercial insurance carriers, and predetermined rates per discharge for Medicaid and Medicare program beneficiaries.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge JHHS' compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon JHHS and its Affiliates. In addition, the contracts JHHS and its Affiliates have with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are considered in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and JHHS' historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

As of June 30, 2023, SMH received final audits for Medicare cost report years 2015, 2016, 2017, 2018. As of June 30, 2023, SMH has Medicare cost report years 2010, 2011, 2012, 2013, and 2021 open. As of June 30, 2022, SMH received final audits for Medicare cost report years 2015, 2016, 2017, 2018. As of June 30, 2022, SMH has Medicare cost report years 2010, 2011, 2012, 2013, and 2021 open.

Consistent with JHHS' mission, care is provided to all patients regardless of their ability to pay. Therefore, JHHS has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts JHHS expects to collect based on its collection history with those patients.

Patients who meet JHHS' criteria for charity care are provided care without charge or at amounts less than its established rates. Such patients are identified based on information obtained from the patient and subsequent analysis. Because JHHS does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Direct and indirect costs for these services amounted to $111.3 million and $87.6 million for the years ended June 30, 2023 and 2022, respectively. The costs of providing charity care services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on JHHS' total expenses divided by gross patient service revenue.

The composition of net patient service revenue by primary payor for the years ended June 30 is as follows (in thousands):

	2023		2022	
Medicare	$ 1,378,490	28.5%	$ 1,360,542	29.5%
Medicaid/Medicaid MCO	698,146	14.5%	610,048	13.2%
Blue Cross	981,765	20.3%	946,457	20.5%
HMO	1,027,037	21.3%	961,319	20.8%
Commercial	367,825	7.6%	358,049	7.8%
Other payors	271,672	5.6%	273,734	5.9%
Self pay	105,028	2.2%	101,844	2.3%
Net patient service revenue	$ 4,829,963	100.0%	$ 4,611,993	100.0%

Revenue from patient's deductibles and coinsurance is included in the preceding categories based on the primary payor.

JHHS has elected the practical expedient allowed under ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to JHHS' expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, JHHS does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Insurance Premium Revenue

Insurance premium revenue contracts are within the scope of Topic 944, Financial Services—Insurance. For the years ended June 30, 2023 and 2022, insurance premium revenue recognized was $2.562 billion and $2.509 billion, respectively. The related expenses associated with the insurance premium revenue were $2.468 billion and $2.437 billion for the years ended June 30, 2023 and 2022, respectively.

All of Priority Partners insurance premium revenue is received from the State of Maryland and is recognized as revenue during the period in which Priority Partners is obligated to provide services to its enrollees. The HealthChoice contract with Priority Partners is for a one-year term and is renewable annually on January 1 at the mutual discretion of both the State of Maryland and Priority Partners. Insurance premium revenues generated under the contract were $1.877 billion and $1.795 billion for the years ended June 30, 2023 and 2022, respectively. The current contract extends through December 31, 2023.

JHMSC entered into a contract with the Department of Defense to provide the TRICARE Prime benefit to eligible beneficiaries enrolled in the USFHP. Under the USFHP contract, JHMSC provides services covered under the TRICARE Designated Provider Contract to enrollees for a monthly capitation fee. Insurance premium revenues generated under the contract were $476.5 million and $461.1 million for the years ended June 30, 2023 and 2022, respectively. The current sole source commercial contract was awarded for the period commencing October 1, 2013 through September 30, 2023, with a Base Year and nine one-year Option Periods exercised at the U.S. Government's discretion.

A significant portion of Hopkins Health Advantage insurance premium revenue is received from the Centers for Medicare and Medicaid Services ("CMS") and is recognized as revenue during the period in which Hopkins Health Advantage is obligated to provide services to its enrollees. The CMS contract with Hopkins Health Advantage is for a one-year term and is renewable annually on January 1 at the mutual discretion of both CMS and Hopkins Health Advantage. Insurance premium revenues generated under the contract were $209.1 million and $253.3 million for the years ended June 30, 2023 and 2022, respectively. The current contract extends through December 31, 2023.

Other Revenue

The composition of other revenue for the years ended June 30 is as follows (in thousands):

	2023		2022	
Outpatient pharmacy revenues	$ 577,003	49.6%	$ 488,376	48.1%
Compensated services	107,637	9.3%	94,508	9.3%
Management fees	91,717	7.9%	77,834	7.7%
Grants and contribution revenue	80,276	6.9%	66,477	6.5%
Lab revenue	31,887	2.7%	33,815	3.3%
Lease income and Common Area Maintenance ("CAM") fees	27,844	2.4%	25,805	2.5%
Disproportionate share revenue	18,256	1.6%	24,893	2.4%
Employee Retention Credit ("ERC")	18,193	1.6%	-	0.0%
CARES Act funds	-	0.0%	26,797	2.6%
Other	209,974	18.1%	177,560	17.5%
Other revenue	$ 1,162,787	100.0%	$ 1,016,065	100.0%

JHHS outpatient pharmacies offer a full inventory of standard, specialty and over-the-counter medications. Outpatient pharmacy revenue is recognized at the point in time when prescriptions are filled. Compensated services include fees for centralized administrative services provided to nonconsolidated affiliates. Management fees represent payments for management services provided to the University, primarily for operations of imaging facilities, as well as other external parties. JHH provides lab services for testing samples provided by patients at outreach draw stations. Revenue for management services, compensated services, and lab testing are recorded in the period in which the performance obligation is satisfied. JHHS records revenue associated with leases on a straight-line basis over the term of the lease. Lease payments include fixed payments but are reduced for any lease incentives. Variable lease payments relating to the lease, including fees for common area maintenance, are recognized in the period in which the performance obligation is satisfied. Disproportionate Share revenue represents State of Florida Medicaid funding allowances for hospitals having a disproportionate share of Medicaid patients. It is an implied contract which is estimated annually and recognized evenly throughout the fiscal year, with any adjustments to actual recognized at year-end.

CARES Act Funding
In response to COVID-19, the CARES Act, was signed into law on March 27, 2020. The CARES Act provides Provider Relief Funds (“PRF”) to hospitals and other healthcare providers on the front lines of the COVID-19 response. These funds are to be used to support healthcare related expenses or lost revenues attributable to COVID-19. For the year ended June 30, 2022, JHHS received $21.1 million of PRF. JHHS recognized $26.8 million (including $5.7 million received in fiscal year 2021, and included as deferred revenue as of June 30, 2021) of PRF as other revenue in the Consolidated Statements of Operations and Changes in Net Assets during the year ended June 30, 2022. For the year ended June 30, 2023, no PRF was received or recognized by JHHS.

In addition, the CARES Act created the ERC program designed to encourage employers to retain employees during the COVID-19 pandemic. In fiscal year 2023, JHHS filed for $18.1 million in ERC credits based on qualified wages paid to employees between March 12, 2020 and July 1, 2020. JHHS’ policy is to account for the ERC as a contribution using guidance analogous to a conditional contribution found in ASC Subtopic 958-605, Not-for-Profit Entities - Revenue Recognition. In accordance with ASC Subtopic 958-605, the ERC is recognized and recorded as income in the Consolidated Statements of Operations and Changes in Net Assets when the conditions required for the ERC are substantially met. In fiscal year 2023, JHHS recorded $18.1 million within other revenue in the Consolidated Statements of Operations and Changes in Net Assets and an associated receivable as of June 30, 2023 within due from others in the Consolidated Balance Sheet.

Employer Payroll Tax Deferrals
Under the provisions of the CARES Act, employers were allowed to defer payment of the employer share of the Social Security tax they otherwise were responsible for submitting to the federal government with respect to their employees. Employers generally are responsible for paying a 6.2% tax on employee wages. The provision required that the deferred employment tax be paid over the following two years, with half of the amount required to be paid by December 31, 2021, and the other half due by December 31, 2022, which were paid. JHHS had no balance remaining as of June 30, 2023 and approximately $29.8 million of payroll tax deferrals included in accounts payable and accrued liabilities on the Consolidated Balance Sheets as of June 30, 2022.

3. Pledges Receivable

As of June 30, 2023 and 2022, the value of pledges receivable before discounts was $28.0 million and $35.7 million, respectively. Pledges receivable have been discounted at rates ranging from 0.07% to 5.50% to arrive at the following (in thousands):

As of June 30, 2023	**1 Year**	**2 –5 Years**	**5 Years or Greater**	**Totals**
Departmental campaigns	$ 7,504	$ 12,927	$ 1,359	$ 21,790
Future campus development	2,745	996	208	3,949
	$ 10,249	$ 13,923	$ 1,567	$ 25,739

As of June 30, 2022	**1 Year**	**2 –5 Years**	**5 Years or Greater**	**Totals**
Departmental campaigns	$ 7,584	$ 15,343	$ 2,366	$ 25,293
Future campus development	3,654	2,945	258	6,857
	$ 11,238	$ 18,288	$ 2,624	$ 32,150

Pledges are deemed to be fully collectible and therefore, no significant allowance for uncollectible pledges has been recorded as of June 30, 2023 and 2022.

4. Fair Value Measurements

JHHS follows the guidance on fair value measurements, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This guidance discusses valuation techniques such as the market approach, cost approach and income approach. The guidance establishes a three-tier level hierarchy for fair value measurements based upon the transparency of inputs used to value an asset or liability as of the measurement date. The three-tier hierarchy prioritizes the inputs used in measuring fair value as follows:

Level 1 Observable inputs such as quoted market prices for identical assets or liabilities in active markets;

Level 2 Observable inputs for similar assets or liabilities in an active market, or other than quoted prices in an active market that are observable either directly or indirectly; and

Level 3 Unobservable inputs in which there is little or no market data that require the reporting entity to develop its own assumptions. There are no instruments requiring Level 3 classification.

The financial instrument’s categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Interest rate swap agreements are valued using the income approach, while each of the remaining financial instruments below have been valued utilizing the market approach.

The following table presents the financial instruments carried at fair value as of June 30, 2023 grouped by hierarchy level:

	Total Fair Value	Level 1	Level 2
Assets			
Cash and cash equivalents (1)	$ 1,052,129	$ 1,052,129	$ -
Commercial paper (1)	100,014	-	100,014
Certificates of deposit (1)	1,074	-	1,074
U.S. Treasuries (2)	205,195	-	205,195
Corporate bonds (2)	220,208	-	220,208
Asset backed securities (2)	214,450	-	214,450
Equities and equity funds (3)	2,222,936	2,222,936	-
Fixed income funds (4)	335,850	335,850	-
Totals	$ 4,351,856	$ 3,610,915	$ 740,941
Liabilities			
Interest rate swap agreements (5)	$ 88,226	$ -	$ 88,226

The following table presents the financial instruments carried at fair value as of June 30, 2022 grouped by hierarchy level:

	Total Fair Value	Level 1	Level 2
Assets			
Cash and cash equivalents (1)	$ 994,845	$ 994,845	$ -
Commercial paper (1)	96,700	-	96,700
Certificates of deposit (1)	1,071	-	1,071
U.S. Treasuries (2)	266,532	-	266,532
Corporate bonds (2)	272,913	-	272,913
Asset backed securities (2)	200,525	-	200,525
Equities and equity funds (3)	1,680,552	1,680,552	-
Fixed income funds (4)	280,557	280,557	-
Totals	$ 3,793,695	$ 2,955,954	$ 837,741
Liabilities			
Interest rate swap agreements (5)	$ 130,584	$ -	$ 130,584

(1) Cash and cash equivalents and commercial paper include investments with original maturities of three months or less. Certificates of deposit and commercial paper are carried at amortized cost, which approximates fair market value. Certificates of deposit and commercial paper that have original maturities greater than three months, but less than one year are considered short-term investments. Cash and cash equivalents are rendered Level 1 due to their frequent pricing and ease of converting to cash. Computed prices and frequent evaluation versus fair value render commercial paper and the certificates of deposit Level 2.

(2) For investments in U.S. Treasuries (notes, bonds, and bills), corporate bonds, and asset backed securities, fair value is based on quotes for similar securities; therefore these investments are rendered Level 2. These investments fluctuate in value based upon changes in interest rates.

(3) Equities include individual equities and investments in mutual funds. The individual equities and mutual funds are valued based on the closing price on the primary market and are rendered Level 1.

(4) Fixed income funds are investments in mutual funds. The underlying fixed investments are principally U.S. Treasuries, corporate bonds, commercial paper, and mortgage-backed securities. The mutual funds are valued based on the closing price on the primary market and are rendered Level 1. Equity index and fixed income futures contracts are utilized to manage equity price and interest rate risk. A futures contract is a contractual agreement to make or take delivery of a standardized quantity of a specified grade or type of commodity or financial instrument at a specified future date in accordance with terms specified by a regulated future exchange. Upon entering into a futures contract, JHHS is required to deposit either cash or securities in an amount equal to a certain percentage of nominal value of the contract ("initial margin"). This collateral is classified as restricted funds within the table above. Pursuant to the futures contract, JHHS agrees to receive from, or pay to, the broker an amount of cash equal to the daily fluctuation in the value of the futures contract. Such receipts or payments are known as "variation margin" which are settled daily. The value on the statement of net assets available is the related unsettled variation margin. As of June 30, 2023, JHHS had 513 open contracts in futures with a gross notional value of $94.3 million and a net notional value of ($55.3) million. As of June 30, 2022, JHHS had 468 open contracts in futures with gross notional value of $64.1 million and a net notional value of $19.1 million.

(5) The interest rate swap agreements, discussed further in Note 10, are valued using a swap valuation model that utilizes an income approach using observable market inputs including long-term interest rates, LIBOR swap rates, and credit default swap rates and are rendered Level 2.

While JHHS believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value as of the reporting date.

JHHS holds investments that are not traded on national exchanges or over-the counter markets. JHHS has elected the fair value option by individual alternative investment and therefore these investments are valued utilizing the NAV provided by the underlying investment companies unless management determines some other valuation is more appropriate.

The following table displays information by strategy for investments measured using NAV as a practical expedient as of June 30, 2023 (in thousands):

	Fair Value	Redemption Frequency	Notice Period
Hedge funds (1)	$ 237,761	Daily to less than annually	30 to 95 days
Commingled equity funds (2)	341,920	Daily to less than annually	3 to 123 days
Private equity (3)	190,723	Quarterly to N/A	90 days
Investments measured at NAV as a practical expedient	770,404		
Total	$ 770,404		

The following table displays information by strategy for investments measured at NAV as a practical expedient as of June 30, 2022 (in thousands):

	Fair Value	Redemption Frequency	Notice Period
Hedge funds (1)	$ 298,479	Daily to less than annually	30 to 95 days
Commingled equity funds (2)	396,549	Daily to less than annually	5 to 123 days
Private equity (3)	109,679	Quarterly to N/A	90 days
Investments measured at NAV as a practical expedient	804,707		
Contribution made in advance (4)	150,000		
Total	$ 954,707		

(1) Hedge fund investments include the following strategies:

a. Equity long/short - managers generally take long positions in stocks they view as undervalued and short positions in stocks they view as overvalued. These strategies seek to mitigate market volatility by capitalizing on market upswings with the long allocation, and mitigating losses on market drawdowns with the short allocation.

b. Multi-strategy - managers employ a variety of different investment strategies with the goal of delivering a positive, diversified return stream uncorrelated to the markets. Different strategies might include equity market neutral, trend following, fixed income relative value, credit, or derivatives trading.

c. Event-driven - managers seek to capitalize on stocks that are mispriced because of a corporate event. They target companies currently or potentially involved in corporate transactions of a wide variety including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments.

d. Distressed credit - managers purchase inefficiently priced bonds from distressed companies, anticipating that the value of the bonds will increase. They typically target firms in or near bankruptcy, or under financial stress, and believe that the firm will emerge from bankruptcy or the distressed situation as a viable company.

e. Structured credit - managers securitize debt instruments, seeking to capitalize on inefficiencies in loan or derivative pricing. Underlying assets could include a variety of instruments, such as residential mortgage-backed securities or corporate loans.

(2) Commingled equity funds: Long-only equity strategies that invest exclusively in publicly traded companies, though the funds are not traded on a public exchange.

(3) Private equity: Funds and investors that directly invest in private companies, or that engage in buyouts of public companies, resulting in the delisting. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These private fund investments are valued at NAV. Distributions to investors are made only after the liquidation of the underlying investments. It is expected to take up to 10 years to fully distribute these assets. Unfunded commitments totaled $323.4 million and $216.3 million as of June 30, 2023 and 2022, respectively.

(4) Contribution made in advance: Comprised of purchases of investments held at NAV.

5. Cash and Cash Equivalents, Investments, and Assets Whose Use is Limited

Cash and cash equivalents and investments (short and long-term) as of June 30 consisted of the following (in thousands):

	2023 Carrying Amount	2022 Carrying Amount
Cash and cash equivalents measured at fair value	$ 1,052,129	$ 994,845
Less: Cash and cash equivalents included in AWUIL	(46,732)	(49,794)
Total cash and cash equivalents	$ 1,005,397	$ 945,051
U.S. Treasuries	$ 147,960	$ 190,817
Commercial paper	100,014	96,700
Certificates of deposit	1,074	1,071
Corporate bonds	156,199	189,503
Asset backed securities	149,150	138,194
Fixed income funds	282,446	234,727
Equities and equity funds	1,651,645	1,208,851
Short and long-term investments measured at fair value	2,488,488	2,059,863
Investments in affiliates	338,379	330,432
Investments measured at NAV as a practical expedient	770,404	804,707
Contribution made in advance	-	150,000
Total short and long-term investments	$ 3,597,271	$ 3,345,002

Assets whose use is limited (short and long-term) as of June 30 consisted of the following (in thousands):

	2023 Carrying Amount	2022 Carrying Amount
U.S. Treasuries	$ 57,235	$ 75,715
Corporate bonds	64,009	83,410
Asset backed securities	65,300	62,331
Fixed income funds	53,404	45,830
Equities and equity funds	571,291	471,701
Assets whose use is limited measured at fair value	811,239	738,987
Cash in AWUIL reported as cash and cash equivalents on leveling table	46,732	49,794
Investments measured at NAV as a practical expedient	128	
Pledges receivable	25,739	32,150
Other	26,363	24,953
Total short and long-term assets whose use is limited	$ 910,201	$ 845,884

The investment and assets whose use is limited balances noted above include amounts held by three pooled investment accounts shared by the affiliates of JHHS. All investments held within the pooled accounts are owned by JHHS and its affiliates. The amounts held within the liquid, intermediate and other investment pools were $341.9 million, $302.8 million, and $1.9 billion, respectively, as of June 30, 2023. The amounts held within the liquid, intermediate and other investment pools were $270.8 million, $404.2 million, and $1.7 billion, respectively, as of June 30, 2022.

Investment return, net for the years ended June 30, included in the nonoperating revenues and expenses section of the Consolidated Statement of Operations and Changes in Net Assets consisted of the following (in thousands):

	2023	2022
Investment income	$ 77,934	$ 75,246
Investment management fees	(8,499)	(8,810)
Realized (losses) gains on investments, net	(22,449)	402,891
Changes in unrealized gains (losses) on investments	348,089	(991,978)
Total investment return, net	$ 395,075	$ (522,651)

Investments recorded under the equity method that JHHS does not consolidate or the measurement alternative as of June 30 consisted of the following (in thousands):

Investment	Method	%	2023	2022
Johns Hopkins Medicine International, LLC ("JHMI")	Equity	50.00 %	$ 49,300	$ 56,501
Johns Hopkins Home Care Group, Inc. ("JHHCG")	Equity	50.00 %	20,501	19,375
FSK Land Corporation	Equity	50.00 %	20,337	19,462
Mt. Washington Pediatric Hospital and Foundation	Equity	50.00 %	66,065	66,139
JHMI Utilities, LLC	Equity	50.00 %	38,989	33,293
Dome Corporation and Subsidiaries	Equity	50.00 %	10,861	10,024
West County, LLC	Equity	50.00 %	6,131	6,491
Johns Hopkins Health Care and Surgery Centers, LLC	Equity	50.00 %	21,201	20,408
MCIC Bermuda	Measurement alternative	10.00 %	86,531	84,519
Other investments			18,463	14,220
Total			$ 338,379	$ 330,432

Investments using the measurement alternative under Topic 321 in the table above include investments without readily determinable fair values measured at cost with adjustments for observable changes in price or impairments. As of June 30, 2023 and 2022, investments without readily determinable fair values measured at cost with adjustments for observable changes in price or impairments were $87.3 million and $85.3 million, respectively. There were no adjustments to these investments' cost for changes in price or impairments for the years ended June 30, 2023 and 2022.

Summarized below are the aggregate assets, liabilities, revenues and expenses for JHMI, Mt. Washington Pediatric Hospital and Foundation, and JHMI Utilities, LLC as of and for the year ended June 30, 2023 and 2022 (in thousands):

	2023	2022
Assets	$ 593,771	$ 641,640
Liabilities	278,273	325,862
Revenues	322,943	308,653
Expenses	295,240	285,968

JHHS consolidates certain affiliates that it owns 50% or more, but less than 100%, because JHHS has control over those affiliates. The net assets without donor restrictions activity attributable to the noncontrolling interests consisted of the following as of June 30, (in thousands):

	2023	2022
Net assets without donor restrictions attributable to noncontrolling interests at beginning of period	$ 99,562	$ 100,188
Excess of revenues over expenses attributable to noncontrolling interests	49,307	14,150
Distributions attributable to noncontrolling interests	(16,457)	(14,776)
Net assets without donor restrictions attributable to noncontrolling interests at end of period	$ 132,412	$ 99,562

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Consolidated Balance Sheets that sum to the total amounts shown in the Consolidated Statements of Cash Flows:

	2023	2022
Cash and cash equivalents	$ 1,005,397	$ 945,051
Restricted cash included in assets whose use is limited:		
Used for current liabilities	-	4,205
By donors or grantors	8,631	6,958
By Board of Trustees	37,592	38,328
Other	509	303
Total cash, cash equivalents, and restricted cash shown in the Consolidated Statements of Cash Flows	$ 1,052,129	$ 994,845

6. Property, Plant and Equipment

Property, plant and equipment and accumulated depreciation and amortization consisted of the following as of June 30 (in thousands):

	2023		2022	
	Cost	Accumulated Depreciation and Amortization	Cost	Accumulated Depreciation and Amortization
Land and land improvements	$ 202,476	$ 37,490	$ 202,424	$ 34,508
Buildings and improvements	2,688,829	1,402,433	2,662,650	1,320,821
Fixed and moveable equipment	2,607,727	1,635,023	2,545,934	1,547,734
Capitalized software	159,041	142,499	157,681	139,205
Construction in progress	221,724	-	168,447	-
	$ 5,879,797	$ 3,217,445	$ 5,737,136	$ 3,042,268

During the year ended June 30, 2023 and 2022, JHHS retired long-lived assets determined to have no future value. During 2023, the original cost and corresponding accumulated depreciation of these long-lived assets was $108.4 million and $103.3 million, respectively. During 2022, the original cost and corresponding accumulated depreciation of these long-lived assets was $69.0 million and $67.1 million, respectively. No proceeds from retirement were received in 2023 or 2022.

7. Medical Claims Reserves

JHHC's activity related to its liability for unpaid health claims for the years ended June 30 are summarized in the table below (in thousands):

	2023	2022
Balance, July 1	$ 176,156	$ 167,378
Incurred related to		
Current year	1,880,899	1,897,128
Prior year	(21,086)	(19,360)
Total incurred	1,859,813	1,877,768
Paid related to		
Current year	1,670,303	1,720,972
Prior year	155,070	148,018
Total paid	1,825,373	1,868,990
Balance, June 30	$ 210,596	$ 176,156

The medical claims reserve is inherently subject to a number of highly variable circumstances, including changes in payment patterns, cost trends and other relevant factors. Consequently, the actual experience may vary materially from the original estimate. The above medical claims reserves include intercompany activity that is eliminated in consolidation.

8. Debt

Debt as of June 30 is summarized as follows (in thousands):

	Interest Rate(s)	Final Maturity	Renewal Date	Issued Amount	2023	2022
Tax Exempt Maryland Health and Higher Education Facilities ("MHHEFA") Bonds and Notes						
1985 Series A and B – Pooled Loan Program Issue (JHHSC)	4.00%	2035	4/30/2027	$ -	$ 1,068	$ 1,308
2004 – Commercial Paper Revenue Notes Series B (JHBMC)	3.15%	2025	N/A	101,990	22,460	29,290
2012 Series B - Revenue Bonds (JHH)	3.25% to 5.00%	2022	N/A	97,560	-	4,205
2013 Series C – Revenue Bonds (JHHSC)	5.00%	2023	N/A	238,000	-	1,925
2015 Series A - Revenue Bonds (JHHSC)	4.59%	2040	N/A	134,735	116,700	119,310
2016 Series A - Revenue Bonds (JHHSC)	1.19%	2023	5/31/2023	48,565	-	17,355
2016 Series B - Revenue Bonds (JHHSC)	4.65%	2042	5/1/2030	48,245	48,245	48,245
2017 Series B - Revenue Bonds (JHHSC)	4.69%	2038	6/1/2030	165,825	146,165	148,680
2012E/2017C Series - Revenue Bonds (JHHSC)	1.35%	2057	11/1/2022	100,000	-	100,000
2018 Series A - Revenue Bonds (JHHSC)	4.64%	2048	5/1/2028	48,245	48,245	48,245
2018 Series B - Revenue Bonds (JHHSC)	4.65%	2046	5/1/2030	88,250	88,250	88,250
Tax Exempt City of St. Petersburg Health Facilities Authority Revenue Bonds						
2012 Series A – Revenue Refunding Bonds (JHACH)	4.55%	2034	6/1/2024	102,400	78,500	83,625
Taxable Revenue Bonds						
2013 Series – Taxable Bonds (JHHSC)	2.77%	2023	N/A	148,165	-	100,000
2016 Series – Taxable Bonds (JHHSC)	3.84%	2046	N/A	690,910	690,910	690,910
2017 Series A - Taxable Revenue Bonds (JHHSC)	6.03%	2027	1/25/2027	165,200	160,473	161,223
2018 Series - Taxable Revenue Bonds (JHHSC)	5.85%	2029	6/1/2029	50,320	32,000	36,525
2019 Series - Taxable Revenue Bonds (JHHSC)	2.29%	2026	N/A	39,470	27,510	33,395
2020 Series - Taxable Revenue Bonds (JHHSC)	2.42%	2030	N/A	100,000	100,000	100,000
2022 Series Commericial Paper - Taxable Revenue Bonds (JHHSC)	5.15%	2039	N/A	100,000	100,000	-
Other debt						
Note Payable (JHHC)	2.62%	2024	N/A	5,000	1,226	2,247
Note Payable (JHHC)	3.41%	2022	12/18/2022	3,006	-	325
					1,661,752	1,815,063
Unamortized premiums and discounts, net					30,546	32,419
Unamortized debt issuance costs					(5,274)	(5,600)
					1,687,024	1,841,882
Current maturities of long-term debt					(203,423)	(438,051)
Total long-term debt, net of current portion					$ 1,483,601	$ 1,403,831

Financing Expenses

Financing expenses incurred in connection with the issuance of debt are presented in the Consolidated Balance Sheets as a direct deduction from the carrying value of the associated debt. The expenses are being amortized over the terms of the related debt issues using the effective interest method. The total amount expensed for each of the periods ended June 30, 2023 and 2022 was $0.6 million and $0.4 million, respectively.

Obligated Group

The Johns Hopkins Health System Obligated Group ("JHHS Obligated Group") consists of JHH, JHBMC, JHHCMC, SHI, SHHS, SMH, JHACH and JHHSC (the "Obligated Group Members"). All of the debt of the JHHS Obligated Group is parity debt, and as such is jointly and severally liable through a claim on and a security interest in all of the receipts as defined in the Master Loan Agreement with MHHEFA of the Obligated Group Members. The Obligated Group Members are required to achieve a defined minimum debt service coverage ratio each year. The outstanding JHHS Obligated Group parity debt was $1.7 billion and $1.8 billion as of June 30, 2023 and 2022, respectively.

2012A Series Tax-Exempt Revenue Bonds – JHACH

In May 2023, JHACH amended the $102.4 million Series 2012A tax-exempt revenue bond to change the variable-rate benchmark from one-month LIBOR to SOFR. The mandatory purchase date for this bond was not extended.

2017A Series Taxable Revenue Bonds – JHHS
In May 2023, JHHS amended the $165.2 million Series 2017A taxable revenue bond to change the variable-rate benchmark from one-month LIBOR to SOFR. The mandatory purchase date for this bond was not extended.

2018 Series Taxable Revenue Bonds – JHHS
In May 2023, JHHS amended the $50.3 million Series 2018 taxable revenue bond to change the variable-rate benchmark from one-month LIBOR to SOFR. The mandatory purchase date for this bond was not extended

2016B Series Tax-Exempt Revenue Bonds – JHHS
In May 2023, JHHS amended the $48.2 million Series 2016B tax-exempt revenue bond to extend the mandatory purchase date from May 31, 2023 to May 1, 2030. The amendment also changed the variable-rate benchmark from a percentage of one-month LIBOR to a percentage of Daily Compounded SOFR. The bond pays interest monthly based on a spread over the floating benchmark rate. Upon closing the amendment, the bond was reclassified from current portion of long-term debt to long-term debt, net of current portion in the accompanying Consolidated Balance Sheet as of June 30, 2023.

2017B Series Tax-Exempt Revenue Bonds – JHHS
In June 2023, JHHS closed the simultaneous tender of the $146.2 million Series 2017B tax-exempt revenue bond from the original purchaser and delivery of a new bond to the new lender for the total principal amount of $146.2 million. The new bond changed the variable-rate benchmark from a percentage of one-month LIBOR to a percentage of Daily Compounded SOFR, and extended the mandatory purchase date from October 1, 2024 to June 1, 2030. The bond pays interest monthly based on a spread over the floating benchmark rate.

2018A Series Tax-Exempt Revenue Bonds – JHHS
In May 2023, JHHS amended the $48.2 million Series 2018A tax-exempt revenue bond to extend the mandatory purchase date from June 1, 2023 to May 1, 2028. The amendment also changed the variable-rate benchmark from a percentage of one-month LIBOR to a percentage of Term SOFR. The bond pays interest monthly based on a spread over the floating benchmark rate. Upon closing the amendment, the bond was reclassified from current portion of long-term debt to long-term debt, net of current portion in the accompanying Consolidated Balance Sheet as of June 30, 2023.

2018B Series Tax-Exempt Revenue Bonds – JHHS
In May 2023, JHHS amended the $88.3 million Series 2018B tax-exempt revenue bond to extend the mandatory purchase date from June 1, 2023 to May 1, 2030. The amendment also changed the variable-rate benchmark from a percentage of one-month LIBOR to a percentage of Daily Compounded SOFR. The bond pays interest monthly based on a spread over the floating benchmark rate. Upon closing the amendment, the bond was reclassified from current portion of long-term debt to long-term debt, net of current portion in the accompanying Consolidated Balance Sheet as of June 30, 2023.

2022 Series Taxable Commercial Paper – JHHS
In October 2022, JHHS closed on the Series 2022 taxable commercial paper program, which is authorized up to $200.0 million. JHHS issued $100.0 million at closing, with the proceeds being used to refinance the $100.0 million revolving Series 2012E/2017C bonds of which $91.5 million was outstanding. The commercial paper can be issued for terms of 1 to 270 days, at variable rates of interest. The remaining $100.0 million of capacity within the 2022 taxable commercial paper

program will be held as an additional source of liquidity. The outstanding balance of $100.0 million was recorded within current portion of long-term debt, in the accompanying Consolidated Balance Sheet as of June 30, 2023.

2012E/2017C Series Tax-Exempt Revenue Bonds – JHHS
In October 2022, the 2022 taxable commercial paper arrangement with US Bank was used to pay off the 2012E/2017C debt to PNC Bank. This transaction was considered a debt extinguishment under ASC Subtopic 470-50. As such, JHHS derecognized $91.5 million from the current portion of long-term debt in the accompanying Consolidated Balance Sheet as of June 30, 2023. A loss on extinguishment of debt of $0.2 million was recorded within interest expense in the accompanying Consolidated Statement of Operations and Changes in Net Assets for the year ended June 30, 2023.

Letters of Credit and Intermediate Financing Vehicles
In connection with the 2004 MHHEFA Commercial Paper Revenue Notes, JHBMC has a $22.5 million line of credit agreement with Wells Fargo to provide for payment of such commercial paper at maturity, subject to certain conditions described therein. This agreement expires on July 1, 2025 subject to extension or earlier termination. No amounts were outstanding as of June 30, 2023 or 2022.

JHHS utilizes public floating rate notes and bank direct purchase facilities as the core component of its variable-rate debt structure. These vehicles provide intermediate-term financing, typically 3-10 years, as a means to finance longer-lived assets. These variable-rate notes are structured with a mandatory purchase at the end of their term, at which time JHHS is required to purchase the bonds back from the bank, extend the term of the facility with the incumbent bank or refinance the transaction with a new counterparty. Due to the long-term nature of the underlying assets financed, JHHS has historically refunded all intermediate-term debt prior to the mandatory purchase dates. The table above notes the renewal dates for the outstanding variable-rate notes.

As of June 30, 2023 and 2022, $73.2 million and $284.8 million of public floating rate notes and bank direct purchase facilities have been recorded as current liabilities as a result of mandatory purchase dates of these financing vehicles coming due within the next 12 months. This debt will be recorded within current liabilities until such time that these notes are refunded.

For the debt of JHHS and Affiliates, total maturities of debt and sinking fund requirements during the next five fiscal years and thereafter are as follows as of June 30, 2023 (in thousands):

2024	203,423
2025	36,617
2026	37,800
2027	180,323
2028	67,644
Thereafter	1,135,945
	$ 1,661,752

For the debt of JHHS and Affiliates described above, interest costs on debt and interest rate swaps incurred, paid and capitalized in the years ended June 30 are as follows (in thousands):

	2023	2022
Net interest costs		
Capitalized	$ 3,433	$ 905
Expensed	77,731	71,459
	$ 81,164	$ 72,364
Interest costs paid	$ 81,164	$ 72,017

Lines of Credit
JHHSC, JHH, and the other JHHS Obligated Group members maintain multiple short-term revolving line of credit facilities (each a "Facility" and collectively the "Facilities") as of June 30, 2023 and 2022. If drawn upon, the Facilities constitute short-term indebtedness as defined under the Master Loan Agreement. The total aggregate principal amount of the Facilities is $300.0 million as of June 30, 2023 and 2022. The obligations of the JHHS Obligated Group with respect to their payment obligations for each Facility have been certified as Parity Obligations. The loans made under each Facility bear interest at rates measured against one-month LIBOR plus an applicable margin. Each Facility requires repayment of the principal drawn thereunder plus accrued interest thereon on or before the expiration of the Facility. There is no outstanding balance of these Facilities as they remain undrawn as of June 30, 2023 and 2022.

9. Leases

JHHS has operating and finance leases for medical spaces, corporate offices, storage spaces, and certain medical and office equipment. Real estate lease agreements typically have initial terms of five to fifteen years and equipment lease agreements typically have initial terms of three to five years.

The components of lease cost for the period ended June 30 are as follows (in thousands):

	2023	2022
Operating lease cost(1)	$ 27,916	$ 26,429
Finance lease cost		
Amortization of right-of-use assets(2)	12,085	12,006
Interest on lease liabilities(3)	4,062	4,607
Short-term lease cost(1)	3,308	2,863
Variable lease cost(1)	18,976	21,729
Total lease cost	$ 66,347	$ 67,634

(1) Expenses are included in purchased services in the Consolidated Statements of Operations and Changes in Net Assets.

(2) Expenses are included in depreciation and amortization in the Consolidated Statements of Operations and Changes in Net Assets

(3) Expenses are included in interest in the Consolidated Statements of Operations and Changes in Net Assets.

Variable lease cost represents a significant portion of total lease cost. This is due to JHHS' election to combine lease and nonlease components for real estate contracts. Expenses that are generally variable, such as common area maintenance, are included in the variable lease cost above.

Supplemental cash flow information related to leases for the period ended June 30 are as follows (in thousands):

	2023	**2022**
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 28,979	$ 27,464
Operating cash flows from finance leases	4,046	4,601
Financing cash flows from finance leases	13,534	12,561

Additional lease information as of and for the period ended June 30 are as follows (in thousands):

	2023	**2022**
Weighted average remaining lease term		
Operating leases	7.7 years	7.0 years
Finance leases	8.1 years	8.7 years
Weighted average discount rate		
Operating leases	3.5 %	2.7 %
Finance leases	4.3 %	4.3 %

Future maturities of lease liabilities are as follows (in thousands):

	Operating Leases	**Finance Leases**	**Total**
Year Ending June 30,			
2024	$ 25,282	$ 18,404	$ 43,686
2025	23,061	16,397	39,458
2026	21,556	15,642	37,198
2027	18,205	13,270	31,475
2028	14,229	10,307	24,536
Thereafter	53,251	29,939	83,190
Total lease payments	155,584	103,959	259,543
Less: Imputed interest	(21,979)	(14,104)	(36,083)
Total lease obligations	133,605	89,855	223,460
Less: Current obligations	(21,709)	(14,548)	(36,257)
Long-term lease obligations	$ 111,896	$ 75,307	$ 187,203

Real estate leases may include one or more options to renew that can extend the lease term for an additional one to ten years. Some real estate leases include options to terminate the lease within five years. JHHS does not recognize these options as part of its ROU assets and lease liabilities because these options are not reasonably likely to be exercised. Equipment lease agreements typically do not contain options to extend the term or terminate the lease.

JHHS is also a lessor and sub-lessor of real estate under operating leases. Lease income for the years ended June 30, 2023 and 2022 was $27.8 million and $25.8 million, respectively, which is included in other revenue in the Consolidated Statements of Operations and Changes in Net Assets. Most of JHHS' leases include operating expenses such as utilities and maintenance costs in rent charges. However, variable lease income is not material.

At June 30, 2023 and 2022, land and buildings with a net book value of $37.3 million and $37.7 million, respectively, were leased to various unrelated organizations with terms ranging from one month to 38 years. These assets are included in property, plant, and equipment, net on the Consolidated Balance Sheets.

Included in the above disclosures are amounts related to leases between JHHS and its unconsolidated affiliates. See Note 14 for further details about these transactions.

10. Derivative Financial Instruments

JHHS' primary objective for holding derivative financial instruments is to manage interest rate risk. Derivative financial instruments are recorded at fair value and are included in other long-term liabilities on the Consolidated Balance Sheets.

The following table summarizes JHHS' interest rate swap agreements (in thousands):

Swap Type	Expiration Date	Counterparty	JHHS Pays	JHHS Receives	Notional Amount at June 30 2023	2022
Fixed	2023	J.P. Morgan	3.3290 %	67% of 1-Month LIBOR	$ 11,795	$ 23,105
Fixed	2025	Bank of America	3.3265 %	67% of 1-Month LIBOR	22,460	29,290
Fixed	2026	PNC	4.1220 %	67% of 1-Month LIBOR	150,000	150,000
Fixed	2026	PNC	4.1330 %	67% of 1-Month LIBOR	150,000	150,000
Fixed	2027	Goldman Sachs Capital Markets, L.P.	3.6910 %	67% of 1-Month LIBOR	3,455	4,235
Fixed	2034	Royal Bank of Canada	3.6235 %	62.2% of 1-Month LIBOR + 0.27%	14,130	14,130
Fixed	2034	Citibank, N.A.	3.6235 %	62.2% of 1-Month LIBOR + 0.27%	23,570	23,570
Fixed	2038	Goldman Sachs Capital Markets, L.P.	3.8190 %	67% of 1-Month LIBOR	72,125	73,375
Fixed	2038	Merrill Lynch Capital Services	3.8091 %	67% of 1-Month LIBOR	72,400	73,700
Fixed	2039	Goldman Sachs Capital Markets, L.P.	3.9110 %	67% of 1-Month LIBOR	150,000	150,000
Fixed	2039	Goldman Sachs Capital Markets, L.P.	3.9460 %	67% of 1-Month LIBOR	40,000	40,000
Fixed	2040	Goldman Sachs Capital Markets, L.P.	3.9220 %	67% of 1-Month LIBOR	150,000	150,000
Fixed	2047	Citibank, N.A.	3.8505 %	61.8% of 1-Month LIBOR + 0.25%	60,000	60,000
					$ 919,935	$ 941,405

Fair value of derivative instruments as of June 30 (in thousands):

	Derivatives Reported as Assets and Liabilities 2023 Balance Sheet Caption	2023 Fair Value	2022 Balance Sheet Caption	2022 Fair Value
Interest rate swaps	Other assets	$ 16	Other assets	$ -
Interest rate swaps	Other long-term liabilities	$ 88,226	Other long-term liabilities	$ 130,584

Derivatives as of June 30 (in thousands):

Classification of derivative gain in the Consolidated Statements of Operations and Changes in Net Assets	Amount of Gain Recognized in Change in Net assets without donor restrictions 2023	2022
Interest rate swaps		
Nonoperating revenue	$ 42,374	$ 107,992

11. Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30 (in thousands) are restricted to:

	2023	2022
Subject to expenditure for a specified purpose		
Purchase of property, plant and equipment	$ 15,543	$ 13,746
Health care services	69,128	61,279
Health education and counseling	8,677	9,134
Indigent care	5,605	3,293
Restricted pledge fund	17,135	18,783
Total subect to expenditure for a specified purpose	116,088	106,235
Funds, cash and securities held into perpetuity		
Health care services	76,914	73,944
Health education and counseling	11,068	13,698
Total funds, cash and securities held in perpetuity	87,982	87,642
Total net assets with donor restrictions	$ 204,070	$ 193,877

The JHHS endowments do not include amounts designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of JHHS has interpreted Uniform Prudent Management of Institutional Funds Act ("UPMIFA") in the State of Maryland, the State of Florida, and the District of Columbia as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, JHHS classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

12. Pension Plans

The Affiliates sponsor a variety of defined benefit pension plans (the "Plans") covering most of their employees. The retirement income benefits are based on a combination of years of service and compensation at various points of service.

The funding policy of all Affiliates is to make sufficient contributions to meet the Internal Revenue Service minimum funding requirements. Assets in the Plans as of June 30, 2023 and 2022 consisted of cash and cash equivalents, equities and equity funds, fixed income funds, and alternative investments. All assets are managed by external investment managers, consistent with the Plans' investment policy.

Actuarial gains affecting the benefit obligation in 2023 were principally due to an increase in the discount rate, offset by an increase of the projected salary scale. Actuarial gains affecting the benefit obligation in 2022 were principally due to an increase in the discount rate, offset by changes in the census data and mortality projection scale.

The change in benefit obligation, plan assets, and funded status of the Plans is shown below (in thousands):

Change in benefit obligation	**2023**	**2022**
Benefit obligation as of beginning of year	$ 2,652,749	$ 3,296,846
Service cost	64,597	94,029
Interest cost	125,047	100,701
Actuarial gain	(61,363)	(755,523)
Benefits paid	(91,707)	(83,304)
Benefit obligation as of June 30	$ 2,689,323	$ 2,652,749

Change in plan assets	**2023**	**2022**
Fair value of plan assets as of beginning of year	$ 2,243,252	$ 2,545,365
Actual return on plan assets	112,490	(352,299)
Employer contribution	109,186	133,490
Benefits paid	(91,707)	(83,304)
Fair value of plan assets as of June 30	$ 2,373,221	$ 2,243,252

Funded Status as of June 30	**2023**	**2022**
Fair value of plan assets	$ 2,373,221	$ 2,243,252
Projected benefit obligation	(2,689,323)	(2,652,749)
Unfunded status	$ (316,102)	$ (409,497)

Amounts recognized in the Consolidated Balance Sheets consist of (in thousands):

	2023	**2022**
Net pension asset	$ -	$ 1,026
Net pension liability	(316,102)	(410,523)
Net amount recognized	$ (316,102)	$ (409,497)

Aside from the SHI plan in 2022, the projected benefit obligation is greater than the fair value of plan assets for all plans that are aggregated within JHHS' consolidated financial statements. The net pension asset in 2022 is recorded within other assets on the Consolidated Balance Sheets.

Amounts not yet recognized in net periodic benefit cost and included in net assets without donor restrictions consist of (in thousands):

	2023	2022
Actuarial net loss	$ 418,327	$ 441,893
Prior service credit	(39,751)	(46,387)
Net amount not yet recognized	$ 378,576	$ 395,506

The following table summarizes the accumulated benefit obligation (ABO) for all plans, the ABO and fair value of plan assets for defined benefit pension plans with ABO in excess of plan assets, and the projected benefit obligation (PBO) and fair value of plan assets for defined benefit plans with PBO in excess of plan assets (in thousands):

ABO - all plans	$ 2,391,609	$ 2,440,878
Plans with ABO in excess of plan assets:		
ABO	$ 993,545	$ 2,382,601
Fair value of plan assets	$ 920,161	$ 2,182,842
Plans with PBO in excess of plan assets:		
PBO	$ 2,689,323	$ 2,593,365
Fair value of plan assets	$ 2,373,221	$ 2,182,842

Net Periodic Pension Cost

Components of net periodic pension cost (in thousands):

	2023	2022
Service cost	$ 64,597	$ 94,029
Interest cost	125,047	100,701
Expected return on plan assets	(171,621)	(162,103)
Amortization of prior service cost	(6,636)	(6,636)
Recognized net actuarial loss	21,782	111,574
Settlement loss recognized	-	95
Net periodic pension cost	$ 33,169	$ 137,660

The components of net periodic pension cost other than the service cost component are included in other components of net periodic pension cost in the Consolidated Statements of Operations and Changes in Net Assets.

Other Changes in Plan Assets and Benefit Obligations
Recognized in Net Assets Without Donor Restrictions

	2023	2022
Net gain	$ (1,784)	$ (241,320)
Amortization of net loss	(21,782)	(111,669)
Amortization of prior service cost	6,636	6,636
Change in funded status of defined benefit plans	(16,930)	(346,353)
Total recognized in net assets without donor restrictions	$ (16,930)	$ (346,353)
Total amounts recognized in net periodic pension cost and net assets without donor restrictions	$ 16,239	$ (208,693)

The assumptions used in determining net periodic pension cost for all plans are as follows for the years ended June 30:

	2023	2022
Discount rate - benefit obligation	4.81 %	3.10 %
Expected return on plan assets	7.00 %	7.00 %
Rate of compensation increase - ultimate	3.00 %	3.00 %

The assumptions used in determining the benefit obligations for all plans are as follows as of June 30:

	2023	2022
Discount rate	5.40 %	4.81 %
Rate of compensation increase - ultimate	3.50 %	3.00 %

The expected rate of return on plan assets assumption was developed based on historical returns for the major asset classes. This review also considered both current market conditions and projected future conditions.

The discount rate is set as the yield on a hypothetical bond portfolio where the amount and timing of the PBO benefit payments for all of JHHS' qualified pension plans in aggregate are matched up with the cash payments from coupons and maturities of that portfolio.

Plan Assets

Pension plan weighted average asset allocations as of June 30 by asset class are as follows:

Asset Class	2023	2022
Cash and cash equivalents	2.83 %	3.78 %
Equities and equity funds	3.23	5.68
Fixed income funds	14.28	12.91
Investments measured at NAV as a practical expedient	79.66	77.63
	100.00 %	100.00 %

The Plans assets are invested among and within various asset classes in order to achieve sufficient diversification in accordance with JHHS' risk tolerance. This is achieved through the utilization of asset managers and systematic allocation to investment management style(s), providing a broad exposure to different segments of the fixed income and equity markets. The Plans strive to allocate assets between equity securities (including global asset allocation) and debt securities at a target rate of approximately 55% and 45% respectively.

Fair Value of Plan Assets

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three-tier hierarchy prioritizes the inputs used in measuring fair value as follows:

Level 1 Observable inputs such as quoted market prices for identical assets or liabilities in active markets;

Level 2 Observable inputs for similar assets or liabilities in an active market, or other than quoted prices in an active market that are observable either directly or indirectly; and

Level 3 Unobservable inputs in which there is little or no market data that require the reporting entity to develop its own assumptions.

The following table presents the Plan assets carried at fair value as of June 30, 2023 grouped by hierarchy level (in thousands):

Assets	Fair Value	Level 1	Level 2
Cash and cash equivalents (1)	$ 67,237	$ 67,237	$ -
Equities and equity funds (2)	76,668	76,668	-
Fixed income and restricted funds (3)	338,892	55,438	283,454
	482,797	$ 199,343	$ 283,454
Investments measured at NAV as a practical expedient	1,818,424		
Distributions after measurement date (4)	72,000		
Total plan assets	$ 2,373,221		

The following table presents the Plan assets carried at fair value as of June 30, 2022 grouped by hierarchy level (in thousands):

Assets	Fair Value	Level 1	Level 2
Cash and cash equivalents (1)	$ 84,748	$ 84,748	$ -
Equities and equity funds (2)	127,324	127,324	-
Fixed income and restricted funds (3)	289,492	61,885	227,607
	501,564	$ 273,957	$ 227,607
Investments measured at NAV as a practical expedient	1,741,688		
Total plan assets	$ 2,243,252		

(1) Cash and cash equivalents include investments with original maturities of three months or less, and are rendered Level 1 due to their frequent pricing and ease of converting to cash.

(2) Equities include individual equities and investments in mutual funds. The individual equities and mutual funds are valued based on the closing price on the primary market and are rendered Level 1.

(3) Fixed income funds are investments in mutual funds and fixed income instruments. The underlying fixed investments are principally U.S. Treasuries, corporate bonds, commercial paper, and mortgage backed securities. The mutual funds are valued based on the closing price on the primary market and are rendered Level 1. For the fixed income instruments, fair value is based on quotes for similar securities; therefore, these investments are rendered Level 2. Equity index and fixed income futures contracts are utilized to manage equity price and interest rate risk. A futures contract is a contractual agreement to make or take delivery of a standardized quantity of a specified grade or type of commodity or financial instrument at a specified future date in accordance with terms specified by a regulated future exchange. Upon entering into a futures contract, JHHS is required to deposit either cash or securities in an amount equal to a certain percentage of nominal value of the contract ("initial margin"). This collateral is classified as restricted funds within the table above. Pursuant to the futures contract, JHHS agrees to receive from, or pay to, the broker an amount of cash equal to the daily fluctuation in the value of the futures contract. Such receipts or payments are known as "variation margin" which are settled daily. The value on the statement of net assets available is the related unsettled variation margin. As of June 30, 2023, JHHS had 3,300 open contracts in futures with a notional value of $389.8 million. As of June 30, 2022, JHHS had 2,868 open contracts in futures with a notional value of $364.3 million.

(4) Distributions after measurement date are comprised of redemptions of investments held at NAV.

The following table displays information by strategy for investments measured at NAV as a practical expedient as of June 30, 2023 (in thousands):

	Fair Value	Redemption Frequency	Notice Period
Hedge funds (1)	$ 351,030	Quarterly	65 to 90 days
Commingled equity funds (2)	833,954	Daily to Quarterly	1 to 90 days
Commingled fixed income (3)	381,161	Daily to Quarterly	1 to 90 days
Private equity (4)	162,490	N/A	N/A
Real estate (5)	89,789	Quarterly	45 to 90 days
	$ 1,818,424		

The following table displays information by strategy for investments measured at NAV as a practical expedient as of June 30, 2022 (in thousands):

	Fair Value	Redemption Frequency	Notice Period
Hedge funds (1)	$ 447,658	Quarterly	65 to 90 days
Commingled equity funds (2)	862,320	Daily to Quarterly	5 to 90 days
Commingled fixed income (3)	254,085	Daily to Quarterly	1 to 90 days
Private equity (4)	115,643	N/A	N/A
Real estate (5)	61,982	Quarterly	45 to 90 days
	$ 1,741,688		

(1) Hedge fund investments include the following strategies:

a. Equity market-neutral - managers seek to exploit temporary pricing anomalies. An inexpensive stock is purchased while a related expensive stock is simultaneously sold short. Many managers in this category look at fundamental variables, using quantitative techniques and try to avoid style, industry, capitalization, and other nonstock specific exposures.

b. Fixed income arbitrage (fixed income relative value) - managers purchase one fixed income security and simultaneously sell a similar fixed income security. The sale of the second security is done to hedge the underlying market risk contained in the first security. Typically, the two securities are related either mathematically or economically such that they move similarly with respect to market developments. Generally, the difference in pricing between the two securities is small, and this is what the fixed income arbitrageur hopes to gain.

c. Multi-strategy - managers employ a variety of different investment strategies with the goal of delivering a positive, diversified return stream uncorrelated to the markets. Different strategies might include equity market neutral, trend following, fixed income relative value, credit, or derivatives trading.

d. Equity long/short - managers generally take long positions in stocks they view as undervalued and short positions in stocks they view as overvalued. These strategies seek to mitigate market volatility by capitalizing on market upswings with the long allocation, and mitigating losses on market drawdowns with the short allocation.

e. Credit/distressed (credit long/short) - managers investment in securities of companies that are experiencing a liquidity crisis, have defaulted on their debt obligations, have filed for Chapter 11 bankruptcy protection, or are otherwise financially distressed. A variety of strategies may be employed, including long credit, short selling and capital structure arbitrage investing.

f. Global macro - managers speculate on the direction of currencies, commodities, equities, and/or bonds. They generally rely on both fundamental and technical analysis and combine long and/or short positions with leverage to optimize returns. Correlation with typical benchmarks is low except during exceptional volatility periods, when the manager might hold a directional bet in a particularly affected market (e.g., a long bet on Russian bonds when Russia defaulted).

(2) Commingled equity funds: Long-only equity strategies that invest exclusively in publicly traded companies, though the funds are not traded on a public exchange.

(3) Commingled fixed income: The underlying fixed income investments are principally corporation bonds, bank loans and mortgage-backed securities. Fixed income strategies that invest in publicly-issued debt instruments, though the funds are not traded on a public exchange.

(4) Private equity: Investments in private equity are in the form of close-ended private funds and not available for redemption. The fund managers primarily invest in investments for which there is no readily determinable market value. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These private fund investments are valued at NAV. Distributions to investors are made only after the liquidation of the underlying investments. It is expected to take up to 10 years to fully distribute these assets. As of June 30, 2023 and 2022, unfunded commitments totaled $253.0 million and $170.0 million, respectively.

(5) Real estate: Closed and Open-ended real estate funds. Close-ended funds invest in all property types, and add value. Open-ended real estate investment vehicles primarily invest in high-quality income-producing properties within major U.S. markets.

Contributions and Estimated Future Benefit Payments
JHHS expects to contribute $83.8 million to its pension plans in the fiscal year ending June 30, 2024.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid in each of the following fiscal years as of June 30, 2023 (in thousands):

2024	$	114,953
2025		122,033
2026		131,786
2027		140,935
2028		150,357
Next five years		869,754

Defined Contribution Plans

The Affiliates sponsor a variety of defined contribution benefit plans covering employees that are not covered by the defined benefit pension plans. The plans provide a variety of employer funding policies including contributory matching funds up to certain percentage limits based on employee's compensation and noncontributory contribution percentage made based on the employee's compensation. Employer contributions are subject to certain vesting percentages based on the employee's years of service. Employer defined contribution expense was $40.0 million and $43.3 million for the years ended June 30, 2023 and 2022, respectively.

13. Professional and General Liability Insurance

The University and JHHS participate in an agreement with four other medical institutions to provide a program of professional and general liability insurance for each member institution. As part of this program, the participating medical institutions have formed a risk retention group ("RRG") to provide self-insurance for a portion of their risk.

JHH and the University each have a 10% ownership interest in the RRG, which is included in investments on the Consolidated Balance Sheets. The medical institutions obtain primary and excess liability insurance coverage from commercial insurers and the RRG. The primary coverage is written by the RRG, and a portion of the risk is reinsured with the commercial carriers. Commercial excess insurance and reinsurance is purchased under a claims-made policy by the participating institutions for claims in excess of primary coverage retained by the RRG. Primary retentions were $15.0 million per incident for calendar year 2022 and calendar year 2023. Primary coverage is insured under a retrospectively rated claims-made policy; premiums are accrued based upon an estimate of the ultimate cost of the experience to date of each participating member institution. The basis for loss accruals for unreported claims under the primary policy is an actuarial estimate of asserted and unasserted claims including reported and unreported incidents and includes costs associated with settling claims. Projected losses were discounted using 2.26% and 1.09% as of June 30, 2023 and 2022, respectively.

JHHS' insurance recoveries and liabilities are presented gross in the accompanying Consolidated Balance Sheets as of June 30, 2023 and 2022 as follows:

Caption on Consolidated Balance Sheet
(in thousands)

	2023	2022
Estimated malpractice recoveries	$ 53,801	$ 62,778
Estimated malpractice recoveries, net of current portion	57,359	54,345
Total assets	$ 111,160	$ 117,123
Current portion of estimated malpractice costs	$ 53,801	$ 62,778
Estimated malpractice costs, net of current portion	57,359	54,345
Total liabilities	$ 111,160	$ 117,123

The assets and liabilities represent JHHS' estimated self-insured captive insurance recoveries for claims reserves and certain claims in excess of self-insured retention levels. The insurance recoveries and liabilities have been allocated between short-term and long-term assets and liabilities based upon the expected timing of the claims payments.

Professional and general liability insurance expense incurred by JHHS was $65.3 million and $66.9 million for the years ended June 30, 2023 and 2022, respectively. Reserves were $244.1 million and $291.3 million as of June 30, 2023 and 2022, respectively. These reserves included $132.9 million and $174.2 million of accrued malpractice claims above reinsurance levels.

14. Related Party Transactions

During the years ended June 30, 2023 and 2022, JHHS and its Affiliates engaged in various related party transactions. These transactions were not eliminated because these entities are not consolidated. The following is a summary of the significant related party transactions and balances for the year ended June 30:

Expense transactions (in thousands):

	2023	2022
Pharmacy management and patient discharge planning costs provided by JHHCG	$ 78,563	$ 66,956
Security and management of housekeeping and parking garage services provided by Broadway Services, Inc.	18,177	21,608
Utility, telecommunication and clinical application services provided by JHMI Utilities, LLC	137,682	129,745

Affiliate Notes Receivable

JHHS has made loans to certain noncontrolled affiliates that do not consolidate within JHHS. The loans to these affiliates do not eliminate in consolidation. The short-term portion of the notes receivable is included in due from affiliates, and the long-term portion is included in due from affiliates, net of current portion in the Consolidated Balance Sheets.

Affiliate notes receivable of June 30 are summarized as follows (in thousands):

	Interest Rate(s)	Final Maturity	2023	2022
Affiliate notes receivable - JHMI Utilities, LLC				
Co-generation loan with JHH	6.00%	2027	$ 5,000	$ 5,000
EPIC loan with JHH	5.00%	2028	762	887
North Power Plant Loans with JHH	5.35%	2042	25,288	26,054
2013 Series – Taxable Bonds with JHHSC	5.85%	2023	-	12,500
2016 Series – Taxable Bonds with JHHSC	3.90%	2030	3,000	-
Affiliate notes receivable - Johns Hopkins Surgery Center Series ("JHSCS")				
White Marsh ASC loan with JHHSC	6.50%	2023	-	236
Pavillion III ASC at Greenspring loan with JHHSC	5.35%	2029	6,650	8,042
Knoll North loan with JHHCMC	5.25%	2027	1,089	1,302
Affiliate notes receivable - FSK Land Corporation				
Keswick loans with JHHSC	5.00% - 5.35%	2023, 2035	12,076	12,882
Mason F Lord at JHBMC loan with JHHSC	4.00%	2026	738	931
Total affiliate notes receiveable			54,603	67,834
Less: affiliate notes receivable, current portion			(4,006)	(16,382)
Total affiliate notes receivable, net of current portion			$ 50,597	$ 51,452

The North Power Plant loans pay principal and interest quarterly. The remaining affiliate notes pay principal and interest monthly.

Affiliate Leases
JHHS engages in leasing transactions with various noncontrolled, unconsolidated affiliates. In most cases, JHHS is the lessee; however, in some situations, JHHS is the lessor – either as the sub-lessor or as the lessor of its owned, real property. However, lessor activity is not material.

As a lessee, the terms of JHHS' leases with related parties range from 5 to 48 years and generally do not include early termination or renewal options. JHHS uses its collateralized incremental borrowing rate to derive its ROU asset and liability associated with its related party leases unless the rate implicit in the lease is known. Lease payments are paid on a monthly basis.

The following table summarizes JHHS' lease expense items for the year ended June 30 (in thousands):

	2023	2022
Expenses for operating leases with		
FSK Land Corporation	$ 432	$ 1,208
JHHC Surgery Center Development LLC	1,446	1,446
Expenses for financing leases with		
FSK Land Corporation	1,524	1,558

ROU asset and liability balances as of June 30 are as follows (in thousands):

	2023	2022
Operating lease right-of-use assets		
FSK Land Corporation	$ 730	$ 794
JHHC Surgery Center Development LLC	7,767	8,914
Finance lease right-of-use assets		
FSK Land Corporation	6,539	7,812
Operating lease liabilities		
FSK Land Corporation	294	512
JHHC Surgery Center Development LLC	1,195	1,093
Operating lease liabilities, net of current portion		
FSK Land Corporation	452	272
JHHC Surgery Center Development LLC	6,909	8,141
Finance lease liabilities		
FSK Land Corporation	1,254	1,219
Finance lease liabilities, net of current portion		
FSK Land Corporation	5,694	6,947

15. Contracts, Commitments and Contingencies

In the ordinary course of operations, JHHS is named as a defendant in various lawsuits, or events occur which could lead to litigation, claims, or assessments. Although the outcome of such matters cannot be predicted with certainty, management believes that insurance coverage is sufficient to cover current or potential claims, or that the final outcomes of such matters will not have a material adverse effect on the consolidated financial statements.

JHHS

JHHS has agreements with the University, under which the University provides medical administration and educational services, conducts medical research programs, provides patient care medical services, provides resident physicians who furnish services at JHHS hospitals, and provides certain other administrative and technical support services through the physicians employed by JHUSOM. Compensation for providing medical administration and educational services is paid to the University by JHHS; funding for services in conducting medical research is paid from grant funds and by JHHS; compensation for patient care medical care services is derived from billings to patients (or third-party payors) by the University; and compensation for other support services is paid to the University by JHHS. The aggregate amount of purchased services incurred by JHHS under these agreements was $540.3 million and $477.8 million for the years ended June 30, 2023 and 2022, respectively. In addition, JHHS has other agreements with the University recorded within nonoperating expenses related to the academic mission to support capital purchases and residency program costs. The aggregate amount of nonoperating expenses incurred by JHHS under these agreements was $28.2 million and $24.8 million for the years ended June 30, 2023 and 2022 respectively.

In fiscal year 2023, JHHS re-evaluated its funds flow arrangement with JHUSOM and refined its nonoperating expense policy. JHHS has concluded that mission support provided to JHUSOM to support general education and research (that is not tied to specific services provided) is core to the mission of the University. JHHS identified certain costs that were historically included in operating expenses, but were deemed to be outside the normal operations of JHHS' clinical setting and therefore, these costs should be classified as nonoperating expenses. Accordingly, JHHS reclassified $49.5 million from purchased services to nonoperating expenses within the Consolidated Statement of Operations and Changes in Net Assets. JHHS did not reclassify the amounts reported in fiscal year 2022, however, the equivalent prior year amount would have been $45.2 million.

Effective November 2022, JHHS entered into a conditional agreement with the University to provide additional contributions to JHUSOM to support their research and education mission. Contributions are subject to meeting various conditions and require approval by the JHHS' Board of Trustees. In June 2023, the JHHS Board of Trustees approved a contribution in the amount of $75.0 million. JHHS recorded the full $75.0 million in fiscal year 2023 within nonoperating expenses in the Consolidated Statements of Operations and Changes in Net Assets.

Effective June 30, 2021, JHHS entered into an agreement with the University irrevocably pledging to pay $66.0 million to JHUSOM for the restricted purpose of supporting JHUSOM's recruitment, employment, and start-up costs of new clinically-focused physician providers. Since no right of return and barriers exist with respect to this irrevocable promise to give, JHHS recorded the full $66.0 million in fiscal year 2021 within purchased services on the Consolidated Statements of Operations and Changes in Net Assets. The related short-term liability recorded within accounts payable and accrued liabilities in the Consolidated Balance Sheets was $13.3 million and $6.5 million as of June 30, 2023 and 2022, respectively. The related long-term liability recorded within other long-term liabilities in the Consolidated Balance Sheets was $45.8 million and $58.9 million as of June 30, 2023 and 2022, respectively.

In fiscal year 2021, JHHS and the University entered into several agreements pertaining to the construction and use of a medical research building on JHH's campus. Construction is ongoing and the building is expected to open in phases between 2024 and 2026. The University agreed to fund 65% of the total construction costs, which was based on the square footage of the total building (all wings) expected to be dedicated to the University versus JHH. The University is paying for all of the construction costs for their dedicated space and therefore is considered the owner during construction of their dedicated space. The $59.5 million of construction in progress costs associated with the University's portion of construction for their dedicated space is not recognized on JHHS' Consolidated Balance Sheet. The University is additionally paying for 65% of the common space in the building. These payments during construction are recorded as deferred income for access to the common space and the associated construction in progress costs will remain on JHHS' Consolidated Balance Sheet, resulting in a net zero impact to the consolidated net assets of JHHS as of June 30, 2023. The deferred income and associated construction in progress was $38.5 million as of June 30, 2023. The deferred income will be recognized into income over the life of the building, beginning at the same time depreciation commences. Additionally, as of June 30, 2023, JHH's construction in progress for their dedicated space and 35% share of common space was $54.7 million.

Effective July 1, 2021, JHHS entered into an agreement with JHUSOM under which JHHS and the University have each committed to provide financial support for the start-up of operations of JHUSOM's occupied research space in a building to be located on the JHH campus. JHHS has agreed to pay JHUSOM up to $70.0 million to be used solely and exclusively to support JHUSOM's research operations in the building during fiscal years 2025 through 2029 (or the first five years of building operation). JHHS will make fixed payments in accordance with an established funding schedule with the first payment being at the end of fiscal year 2025 (or the date in which the first project wing completion date occurs, whichever is later) and annually thereafter. Each payment will be contingent upon 1) the University making its share of the payment, 2) the occurrence of the first project wing completion date and 3) JHUSOM incurring expenses from the operation of the research space in excess of the applicable expense threshold in the annual funding schedule. The final payment will be made by June 30, 2029 or the end of the fiscal year following the fifth anniversary of the first project wing completion date.

JHH

In 2005, JHH and the University created JHMI Utilities, LLC to provide utility and telecommunication services for their East Baltimore Campus. Each member owns 50% of JHMI Utilities, LLC and shares equally in the governance of JHMI Utilities, LLC. The cost of acquiring and upgrading the existing utility facilities, the construction of a new power plant and an upgrade of the telecommunication system have been financed through the issuance of tax exempt bonds by MHHEFA and the proceeds of the Pooled Loan program sponsored by MHHEFA. JHH and the University have guaranteed the total debt issued by MHHEFA. As of June 30, 2023 and 2022, the amount of the debt guaranteed by JHH was $106.6 million and $120.6 million, respectively. JHH accounts for this investment under the equity method of accounting.

JHH has pledged investments, having an aggregate market value of $37.9 million and $35.4 million as of June 30, 2023 and 2022, respectively, for JHHS compliance with regulations of the Workers Compensation Commission and the Department of Economic and Employment Development's Unemployment Insurance Fund.

16. Concentrations of Credit Risk

JHHS provides services primarily to residents in the State of Maryland, District of Columbia and Florida without collateral or other proof of ability to pay. Most patients are local residents who are insured partially or fully under third-party payor arrangements.

The following table depicts the mix of accounts receivable, net from patients and third-party payors as of June 30, 2023 and 2022:

	2023	2022
Medicare	16.9 %	14.8 %
Medicaid	8.7 %	12.0
Blue Cross and Blue Shield	19.2 %	18.1
Medicaid managed care organizations	10.0 %	15.1
Self pay	7.9 %	6.7
Other third-party payors	37.3 %	33.3
	100.0 %	100.0 %

The State of Maryland has been granted a waiver by the Federal government exempting the State from national Medicare and Medicaid reimbursement principles. JHH, JHBMC, JHHCMC and SHI's charges for inpatient, outpatient and emergency services performed at the hospitals are regulated by the HSCRC. JHHS' management has made all submissions required by the HSCRC and believes JHHS is in compliance with HSCRC requirements. The waiver has been approved through calendar year 2027 by the CMS.

Effective January 1, 2014, with retroactive application to revenues generated by services provided after June 30, 2013, the HSCRC and the CMS entered into a new demonstration model for the Maryland waiver. The new demonstration model moved from a Medicare per admission methodology to a per capita population health-based methodology. To facilitate the goals of the new demonstration model, the HSCRC and Maryland hospitals entered into Global Budget Revenue Agreements ("GBR"). The agreements set a hospital's revenue base annually under a global budget arrangement, whereby revenue would be fixed regardless of changes in volume and patient mix for Maryland residents. Hospital revenue for Maryland residents receiving care at Maryland hospitals is subject to this global budget. However, JHH and JHBMC have the opportunity to receive additional rate authority for any growth in the volume of out of state patients receiving care at those hospitals. When the hospitals' out of state volume exceeds a revenue floor established by the HSCRC, the hospitals will be allowed to recognize incremental revenues at a 50% variable cost factor. This variable cost factor can then increase to 75% when that out of state revenue increases to a certain level. For JHHCMC, out of state volume is currently included in their global budget; therefore, all in state and out of state volumes are subject to their global budget. SHI is allowed to recognize incremental revenues at a 50% variable cost factor.

Under the HSCRC reimbursement methodology, amounts collected for services to patients under the Medicare and Medicaid programs are computed at approximately 92.3% of HSCRC approved charges. Other payors are eligible to receive up to a 2.25% discount on prompt payment of claims.

17. Functional Expenses

JHHS provides general health care services to residents within its geographic location as well as to national and international patients. Expenses related to providing these services for the year ended June 30, 2023 consisted of the following (in thousands):

	2023			
	Health Care Services	General and Administrative Services	Academic Mission Support to JHUSOM	Total Expenses
Operating expenses				
Salaries, wages and benefits	$ 2,076,218	$ 824,536	$ -	$ 2,900,754
Purchased services	2,889,200	630,374	-	3,519,574
Supplies and other	1,473,576	141,255	-	1,614,831
Interest	69,699	-	-	69,699
Depreciation and amortization	232,653	58,394	-	291,047
Total operating expenses	6,741,346	1,654,559	-	8,395,905
Nonoperating expenses				
Interest expense on swap agreements	8,032	-	-	8,032
Other components of net periodic pension cost	(26,571)	(4,782)	-	(31,353)
Academic mission support and other	75	-	152,719	152,794
Total nonoperating expenses	(18,464)	(4,782)	152,719	129,473
Total expenses	$ 6,722,882	$ 1,649,777	$ 152,719	$ 8,525,378

Natural expenses attributable to more than one functional expense category are allocated using administrative allocations from annual CMS cost reports.

Expenses related to providing these services for the year ended June 30, 2022 consisted of the following (in thousands):

	2022			
	Health Care Services	General and Administrative Services	Academic Mission Support to JHUSOM	Total Expenses
Operating expenses				
Salaries, wages and benefits	$ 1,886,999	$ 813,685	$ -	$ 2,700,684
Purchased services	2,872,956	601,964	-	3,474,920
Supplies and other	1,335,590	128,941	-	1,464,531
Interest	47,650	-	-	47,650
Depreciation and amortization	228,643	69,464	-	298,107
Total operating expenses	6,371,838	1,614,054	-	7,985,892
Nonoperating expenses				
Interest expense on swap agreements	23,809	-	-	23,809
Other components of net periodic pension cost	32,265	10,663	-	42,928
Academic mission support and other	1,586	-	24,827	26,413
Total nonoperating expenses	57,660	10,663	24,827	93,150
Total expenses	$ 6,429,498	$ 1,624,717	$ 24,827	$ 8,079,042

Natural expenses attributable to more than one functional expense category are allocated using administrative allocations from annual CMS cost reports.

18. Liquidity and Availability

The table below represents financial assets available for general expenditures within one year at June 30, 2023 and 2022 (in thousands):

	2023	2022
Cash and cash equivalents	$ 1,005,397	$ 945,051
Short-term investments	141,958	161,438
Patient accounts receivable, net	767,616	801,743
Due from others	237,745	188,054
Due from affiliates	10,596	23,790
Investments (less investments in affiliates and private equity)	2,926,211	2,743,453
	$ 5,089,523	$ 4,863,529

General expenditures refer to ongoing operating expenditures required to fulfill JHHS' principal business purpose. JHHS has certain Board of Trustee-designated assets limited to use which are excluded from the quantitative information above; however, these assets can be released by the Board of Trustees and made available for general expenditure.

As part of JHHS' liquidity management plan, cash in excess of daily requirements is invested in short-term and long-term investments. Investment decisions are made based on anticipated liquidity needs, such that financial assets are available as general expenditures, liabilities, and other obligations come due. Investments classified as long-term assets within the table above can be converted to cash within one year, if needed.

19. The Johns Hopkins Hospital Endowment Fund, Incorporated

The Endowment Corporation was organized for the purpose of holding and managing the endowment and certain other funds transferred from and for the benefit of JHHS. The affairs of the Endowment Corporation are managed by a Board of Trustees, comprised of Trustees who are self-perpetuating. Neither JHHS nor any Affiliate holds legal title to any Endowment Corporation funds. The Board of Trustees may, in its discretion, award funds from the Endowment Corporation to organizations other than JHHS if the Board of Trustees determines that doing so is for the support, benefit of, or in furtherance of the mission of JHHS. Accordingly, these amounts are not presented in the consolidated financial statements of JHHS and its Affiliates until they are subsequently distributed to JHHS and its affiliates from the Endowment Corporation. The Endowment Corporation's net assets were $794.0 million and $795.2 million as of June 30, 2023 and 2022, respectively. The Endowment Corporation's distributions from net assets to JHHS and its affiliates were $20.1 million and $12.0 million for the years ended June 30, 2023 and 2022, respectively, and were recorded as other revenue.

20. Subsequent Events

JHHS has performed an evaluation of subsequent events, including the event described below, through September 29, 2023, which is the date the consolidated financial statements were issued.

JHHS transitioned all derivative financial instruments that previously referenced LIBOR to SOFR effective July 1, 2023.

JHHS is in the process of negotiating the new sole source commercial contract under USFHP discussed in Note 2. The new contract is expected to be similar to the existing contract with a Base Year and nine one-year Option Periods exercised at the U.S. Government's discretion.

Schedules of Expenditures of Federal Awards and Florida State Financial Assistance

and

Notes to Schedules of Expenditures of Federal Awards and Florida State Financial Assistance

The Johns Hopkins Health System Corporation and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM TITLE	ASSISTANCE LISTING #	PASS THROUGH ENTITY SPONSOR #	EXPENDITURES BY AFFILIATE JHH	JHBMC	SHI	SMH	JHACH	ACHS	JHCP	HCGH	Signature OBGYN	JHRP	PHHC	JHEMS	JHHSC	TOTAL FEDERAL EXPENDITURES	PASSED TO SUB-RECIPIENTS
UNITED STATES DEPARTMENT OF AGRICULTURE:																	
PASSED THROUGH THE MARYLAND STATE DEPARTMENT OF EDUCATION																	
CHILD & ADULT CARE FOOD PROGRAM	10.558	280800		$ 51,837												$ 51,837	
CHILD NUTRITION CLUSTER																	
PASSED THROUGH THE FLORIDA DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES																	
SUMMER FOOD SERVICES PROGRAM FOR CHILDREN	10.559	1484					$ 4,905									4,905	
TOTAL CHILD NUTRITION CLUSTER			-	-	-	-	4,905	-	-	-	-	-	-	-	-	4,905	-
TOTAL UNITED STATES DEPARTMENT OF AGRICULTURE			-	51,837	-	-	4,905	-	-	-	-	-	-	-	-	56,742	-
UNITED STATES DEPARTMENT OF JUSTICE:																	
PASSED THROUGH THE MARYLAND GOVERNOR'S OFFICE OF CRIME CONTROL & PREVENTION																	
CRIME VICTIM ASSISTANCE	16.575	VOCA-2017-0012/VOCA-2018-0059								$ 204,111						204,111	
TOTAL UNITED STATES DEPARTMENT OF JUSTICE			-	-	-	-	-	-	-	204,111	-	-	-	-	-	204,111	-
UNITED STATES DEPARTMENT OF TRANSPORTATION:																	
TRANSIT SERVICES PROGRAMS CLUSTER																	
PASSED THROUGH THE MARYLAND TRANSIT ADMINISTRATION																	
ENHANCED MOBILITY OF SENIORS & INDIVIDUALS WITH DISABILITIES	20.513	MD-17-0038		58,168											123,277	181,445	
TOTAL TRANSIT SERVICES PROGRAMS CLUSTER			-	58,168	-	-	-	-	-	-	-	-	-	-	123,277	181,445	-
TOTAL UNITED STATES DEPARTMENT OF TRANSPORTATION			-	58,168	-	-	-	-	-	-	-	-	-	-	123,277	181,445	-
UNITED STATES DEPARTMENT OF THE TREASURY																	
PASSED THROUGH MARYLAND DEPARTMENT OF HEALTH																	
COVID-19 AMERICAN RESCUE PLAN ACT CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	Not Available	$ 10,672,560	2,919,351	$ 1,431,795					1,239,731					$ 82,908	16,346,345	
PASSED THROUGH MAYOR AND CITY COUNCIL OF BALTIMORE																	
COVID-19 AMERICAN RESCUE PLAN ACT CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	KGSAVNB1JEK3	204,386													204,386	
SUBTOTAL			10,876,946	2,919,351	1,431,795	-	-	-	-	1,239,731	-	-	-	-	82,908	16,550,731	-
TOTAL UNITED STATES DEPARTMENT OF THE TREASURY			10,876,946	2,919,351	1,431,795	-	-	-	-	1,239,731	-	-	-	-	82,908	16,550,731	-
UNITED STATES DEPARTMENT OF EDUCATION:																	
PASSED THROUGH THE FLORIDA DEPARTMENT OF HEALTH																	
SPECIAL EDUCATION GRANTS FOR INFANTS & FAMILIES	84.181	COQZM					1,788,846									1,788,846	
TOTAL UNITED STATES DEPARTMENT OF EDUCATION			-	-	-	-	1,788,846	-	-	-	-	-	-	-	-	1,788,846	-
UNITED STATES DEPARTMENT OF HEALTH & HUMAN SERVICES:																	
COVID-19 PROVIDER RELIEF FUND AND AMERICAN RESCUE PLAN RURAL	93.498		3,754,037	1,637,876	899,822	3,307,402	1,360,245	1,170,081	3,767,851	806,400	1,090,328	2,345,829	197,171	861,960		21,199,002	
PASSED THROUGH DISTRICT OF COLUMBIA DEPARTMENT OF BEHAVIORAL HEALTH																	
PASSED THROUGH DISTRICT OF COLUMBIA HOSPITAL ASSOCIATION																	
OPIOID STR	93.788	Not Available				107,630										107,630	
PASSED THROUGH THE MARYLAND DEPARTMENT OF HEALTH																	
HOSPITAL PREPAREDNESS PROGRAM (HPP) AND PUBLIC HEALTH EMERGENCY PREPAREDNESS (PHEP) ALIGNED COOPERATIVE AGREEMENTS	93.074	VARIOUS								84,930						84,930	
PASSED THROUGH THE CENTERS FOR DISEASE CONTROL & PREVENTION																	
PASSED THROUGH THE AMERICAN THROMBOSIS & HEMOSTATSIS NETWORK																	
PASSED THROUGH HEMOPHILIA OF GEORGIA INC																	
BLOOD DISORDER PROGRAM: PREVENTION, SURVEILLANCE, AND RESEARCH	93.080	1 NU 27 DD000020-03-00					30,000									30,000	
PASSED THROUGH THE MATERNAL & CHILD HEALTH BUREAU																	
PASSED THROUGH HEMOPHILIA OF GEORGIA INC																	
MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.110	5H30MC24045-11-00					14,400									14,400	
PASSED THROUGH CHILDREN'S HOSPITAL OF LOS ANGELES																	
MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.110	5H30MC24045						15,836								15,836	
SUBTOTAL			-	-	-	-	14,400	15,836	-	-	-	-	-	-	-	30,236	-
COVID-19 TESTING AND TREATMENT FOR THE UNINSURED	93.461		(1,064,508)	(155,635)	(8,555)	(41,516)	-		156,714	(80,140)	(721)	(2,284)		-		(1,196,645)	
DOMESTIC EBOLA SUPPLEMENT TO THE EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC)	93.815		46,460													46,460	
HOSPITAL PREPAREDNESS PROGRAM (HPP) EBOLA PREPAREDNESS AND RESPONSE ACTIVITIES	93.817		983,454													983,454	
HEALTHY START INITIATIVE	93.926						1,012,448									1,012,448	
PASSED THROUGH ANNE ARUNDEL COUNTY OF MARYLAND																	
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958	MH 575 OTH		349,125												349,125	
PASSED THROUGH THE CITY OF BALTIMORE (BEHAVIORAL HEALTH SYSTEM BALTIMORE)																	
BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959	ABG-5415-12	44,251													44,251	
PASSED THROUGH JOHNS HOPKINS UNIVERSITY																	
PPHF GERIATRIC EDUCATION CENTERS	93.969	U1QHP2810-02-01							65,770							65,770	
PASSED THROUGH THE HEALTHY START COALITION OF PINELLAS INC																	
PASSED THROUGH THE FLORIDA DEPARTMENT OF HEALTH																	
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANTS TO THE STATES	93.994	COQVY					194,000									194,000	
RESEARCH & DEVELOPMENT CLUSTER																	
PASSED THROUGH THE AGENCY FOR HEALTHCARE RESEARCH & QUALITY																	
PASSED THROUGH THE WASHINGTON UNIVERSITY																	
RESEARCH ON HEALTHCARE COSTS, QUALITY, AND OUTCOMES	93.226	5R01HS026742						6,666								6,666	
PASSED THROUGH THE NATIONAL INSTITUTE ON MINORITY HEALTH AND HEALTH DISPARITIES																	
PASSED THROUGH NORTH CAROLINA STATE UNIVERSITY																	
MINORITY HEALTH AND HEALTH DISPARITIES RESEARCH	93.307	2017-1593-04						7,342								7,342	
PASSED THROUGH NATIONAL INSTITUTES OF HEALTH																	
PASSED THROUGH PUBLIC HEALTH INSTITUTE ON BEHALF OF CHILDREN'S ONCOLOGY GROUP																	
CANCER TREATMENT RESEARCH	93.395	UM1CA228823-05 PEP-CTN						5,000								5,000	
CANCER TREATMENT RESEARCH	93.395	UM1CA228823-04 PEP-CTN						10,000								10,000	
CANCER TREATMENT RESEARCH	93.395	U10CA180886-09						47,700								47,700	
SUBTOTAL			-	-	-	-	-	62,700	-	-	-	-	-	-	-	62,700	-

The accompanying notes are an integral part of the Schedules of Expenditures of Federal Awards and Florida State Financial Assistance.

The Johns Hopkins Health System Corporation and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM TITLE	ASSISTANCE LISTING #	PASS THROUGH ENTITY SPONSOR #	EXPENDITURES BY AFFILIATE: JHH	JHBMC	SHI	SMH	JHACH	ACHS	JHCP	HCGH	Signature OBGYN	JHRP	PHHC	JHEMS	JHHSC	TOTAL FEDERAL EXPENDITURES	PASSED TO SUB-RECIPIENTS
PASSED THROUGH NATIONAL HEART, LUNGS, & BLOOD INSTITUTE																	
PASSED THROUGH DARTMOUTH UNIVERSITY																	
PASSED THROUGH SOCIETY OF THORACIC SURGEONS																	
BLOOD DISEASES AND RESOURCES RESEARCH	93.839	5U01HL130048						$ 104,330								$ 104,330	$ 13,730
PASSED THROUGH THE EUNICE KENNEDY SHRIVER NATIONAL INSTITUTE OF CHILD HEALTH & HUMAN DEVELOPMENT																	
PASSED THROUGH JOHNS HOPKINS UNIVERSITY																	
CHILD HEALTH AND HUMAN DEVELOPMENT EXTRAMURAL RESEARCH	93.865	5R01HD086058						16,375								16,375	
CHILD HEALTH AND HUMAN DEVELOPMENT EXTRAMURAL RESEARCH	93.865	5R01HD089289						20,450								20,450	
CHILD HEALTH AND HUMAN DEVELOPMENT EXTRAMURAL RESEARCH	93.865	5U24HD106537						58,872								58,872	
SUBTOTAL			-	-	-	-	-	95,697	-	-	-	-	-	-	-	95,697	-
NATIONAL INSTITUTE OF NEUROLOGICAL DISORDERS & STROKE DIRECT AWARD	93.RD				$ 687,141											687,141	
TOTAL RESEARCH & DEVELOPMENT CLUSTER			-	-	687,141	-	-	276,735	-	-	-	-	-	-	-	963,876	13,730
TOTAL UNITED STATES DEPARTMENT OF HEALTH & HUMAN SERVICES			$ 3,763,694	$ 1,831,366	1,578,408	$ 3,373,516	$ 2,611,093	1,462,652	$ 3,990,335	$ 811,190	$ 1,089,607	$ 2,343,545	$ 197,171	$ 861,960	-	23,914,537	13,730
UNITED STATES DEPARTMENT OF HOMELAND SECURITY:																	
PASSED THROUGH STATE OF FLORIDA, FLORIDA DIVISION OF EMERGENCY MANAGEMENT (FDEM)																	
DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	97.036	Z3466					74,311									74,311	
TOTAL UNITED STATES DEPARTMENT OF HOMELAND SECURITY																	
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 14,640,640**	**$ 4,860,722**	**$ 3,010,203**	**$ 3,373,516**	**$ 4,479,155**	**$ 1,462,652**	**$ 3,990,335**	**$ 2,255,032**	**$ 1,089,607**	**$ 2,343,545**	**$ 197,171**	**$ 861,960**	**$ 206,185**	**$ 42,770,723**	**$ 13,730**

The accompanying notes are an integral part of the Schedules of Expenditures of Federal Awards and Florida State Financial Assistance.

The Johns Hopkins Health System Corporation and Affiliates
Schedule of Expenditures of Florida State Financial Assistance
Year Ended June 30, 2023

STATE GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM TITLE	STATE CSFA NUMBER	PASS-THROUGH ENTITY OR AWARD IDENTIFICATION NUMBER	EXPENDITURES BY AFFILIATE JHACH	ACHS	TOTAL STATE EXPENDITURES
STATE OF FLORIDA:					
PASSED THROUGH THE STATE OF FLORIDA DEPARTMENT OF HEALTH					
SPECIAL EDUCATION - GRANTS FOR INFANTS & FAMILIES WITH DISABILITIES	64.022	COQZM	3,653,536	-	3,653,536
DIRECT PROGRAM FROM THE STATE OF FLORIDA DEPARTMENT OF HEALTH					
TRAUMA CENTER FINANCIAL SUPPORT	64.075	TRA-01	7,365	-	7,365
NEWBORN SCREENING PROGRAM	64.076	COQAD	111,300	-	111,300
BANKHEAD-COLEY CANCER RESEARCH PROGRAM	64.078	20B01	-	159,921	159,921
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			**$ 3,772,201**	**$ 159,921**	**$ 3,932,122**

The accompanying notes are an integral part of the Schedules of Expenditures of Federal Awards and Florida State Financial Assistance.

1. Basis of Presentation

The accompanying Schedules of Expenditures of federal awards and Florida state financial assistance (the "Schedules") include the federal and state grant transactions of the Johns Hopkins Health System Corporation and its affiliates ("JHHS") under programs of the federal government and state of Florida for the year ended June 30, 2023. Because the Schedules present only a selected portion of the operations of JHHS, they are not intended to and do not present the financial position, results of operations and changes in net assets, or cash flows of JHHS.

For purposes of the Schedules, federal and state awards include all awards in the form of grants, contracts, and similar agreements entered into directly between JHHS and the agencies, the departments of the federal government, the non-federal pass-through entities, and the state of Florida. Federal Assistance Listing information, Catalog of State Financial Assistance (“CSFA”), and pass-through identification numbers are included when available.

2. Summary of Significant Accounting Policies

The Schedules reflect federal and state award program expenditures recognized on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. JHHS has not elected to use the 10% de minimis rate for indirect costs. Indirect costs are billed based upon negotiated and budgeted rates.

3. HRSA COVID-19 Testing and Treatment for the Uninsured

JHHS conducted COVID-19 testing and/or provided treatment for uninsured individuals with a COVID-19 primary diagnosis on or after February 4, 2020 and as such requested claims reimbursement under Assistance Listing # 93.461 Health Resources and Services Administration's ("HRSA") COVID-19 Testing and Treatment for the Uninsured. JHHS recorded $(1.2) million on the Schedule consisting of refunds and adjustments reported in fiscal year 2023 relating to claims submitted and reported with service dates in fiscal years 2020, 2021, and 2022 for $(313) thousand, $(600) thousand, and $(284) thousand, respectively. The Uninsured program stopped accepting claims due to a lack of sufficient funds. No claims submitted after March 22, 2022 for testing or treatment and claims for vaccine administration after April 5, 2022, will be processed for adjudication and payment.

4. Federal Emergency Management Agency Disaster Grants – Public Assistance (Presidentially Declared Disasters)

In fiscal year 2023, the affiliate Johns Hopkins All Children’s Hospital (“JHACH”) received approval of their project related to Federal Emergency Management Agency (“FEMA”) Disaster Grants – Public Assistance (Presidentially Declared Disasters) funding passed thru from the Florida Division of Emergency Management. As required by the OMB Compliance Supplement, non-federal entities must record expenditures on the Schedule when (1) FEMA has obligated the non-federal entity’s project, and (2) the non-federal entity has incurred the eligible expenditures. JHACH, as such, recorded $74,311 in expenditures on the Schedule, all of which were obligated and incurred in fiscal year 2023. In addition, there are $132,870 in expenditures that were incurred in fiscal year 2023 but not obligated by FEMA until fiscal year 2024 and therefore will be reported on the fiscal year 2024 Schedule.

5. Department of Health and Human Services COVID-19 Provider Relief Funds and American Rescue Plan Rural Distribution

The Schedule includes Period 4 funds received between July 1, 2021 and December 31, 2021 expended by December 31, 2022 and Period 5 funds received between January 1, 2022 and June 30, 2022 expended by June 30, 2023 as reported to HRSA via the Provider Relief Funds and American Rescue Plan Rural Reporting Portal. The grant activity associated with Assistance Listing #93.498 is attributable to lost revenues and direct expenditures. The total amount recognized in the Schedule of $21.2 million for the year ended June 30, 2023, includes $12.6 million of direct expenditures and $8.6 million of lost revenue.

The affiliate ACHS included in the Schedule represents Provider Relief Funds totaling $1.2 million, of which $1.1 million were reported for Pediatric Physician Services, Inc. and $43 thousand were reported for West Coast Neonatology, Inc.

Part II

Reports on Compliance and Internal Control

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees of
The Johns Hopkins Health System Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the consolidated financial statements of the Johns Hopkins Health System Corporation and its affiliates ("JHHS"), which comprise the consolidated balance sheet as of June 30, 2023, and the related consolidated statement of operations and changes in net assets and of cash flows for the year then ended, including the related notes (collectively referred to as the "consolidated financial statements"), and have issued our report thereon dated September 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered JHHS' internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of JHHS' internal control. Accordingly, we do not express an opinion on the effectiveness of JHHS' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether JHHS' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of JHHS' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering JHHS' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

Baltimore, Maryland
September 29, 2023

Report of Independent Auditors on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance; Section 215.97, Florida Statutes; and Chapter 10.650, Rules of the Florida Auditor General

To the Board of Trustees of
The Johns Hopkins Health System Corporation:

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited the Johns Hopkins Health System Corporation and its affiliates' ("JHHS") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and in Section 215.97, Florida Statutes, and Chapter 10.650, Rules of the Florida Auditor General that could have a direct and material effect on each of JHHS' major federal and state programs for the year ended June 30, 2023. JHHS' major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, JHHS complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (US GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Section 215.97, Florida Statutes, and Chapter 10.650, Rules of the Florida Auditor General. Our responsibilities under those standards the Uniform Guidance and Section 215.97 and Chapter 10.650 are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of JHHS and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of JHHS' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to JHHS' federal and state programs.

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Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on JHHS' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS, *Government Auditing Standards*, the Uniform Guidance; and Section 215.97, Florida Statutes, and Chapter 10.650, Rules of the Florida Auditor General will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about JHHS' compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with US GAAS, *Government Auditing Standards*, the Uniform Guidance, and Section 215.97, Florida Statutes, and Chapter 10.650, Rules of the Florida Auditor General, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding JHHS' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of JHHS' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, Section 215.97, Florida Statutes, and Chapter 10.650, Rules of the Florida Auditor General but not for the purpose of expressing an opinion on the effectiveness of the JHHS' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on JHHS' response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. JHHS' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal and state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance, Section 215.97, Florida Statutes, and Chapter 10.650, Rules of the Florida Auditor General. Accordingly, this report is not suitable for any other purpose.

PricewaterhouseCoopers LLP

Baltimore, Maryland
March 15, 2024

Part III Findings

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal Control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control over major programs:	
Material weakness identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	Yes

Identification of Major Federal programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
21.027	COVID-19 American Rescue Plan Act Coronavirus State and Local Fiscal Recovery Fund
93.498	COVID-19 Provider Relief Fund and American Rescue Plan Rural
84.181	Special Education Grants for Infants & Families

Dollar threshold used to distinguish between Federal governmental assistance Type A and Type B programs:	$1,283,122
Auditee qualified as low-risk auditee?	Yes

State Awards

Internal Control over major programs: Material weakness identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 2.510(a) and/or Section 215.97, *Florida Statutes*; and Chapter 10.650, *Rules of the Auditor General*	No

Identification of Major State programs:

State Assistance Listing Number or Cluster	**Name of State Program**
64.022	Special Education – Grants for infants & families with disabilities

Dollar threshold used to distinguish between State Financial Assistance Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There were no matters to be reported.

Section III A – Federal Findings and Questioned Costs

Finding 2023-001: COVID-19 Provider Relief Fund and American Rescue Plan Rural Distribution Reporting

Cluster: Not applicable
Federal Agency: Department of Health and Human Services ("HHS")
Award Name: COVID-19 Provider Relief Fund and American Rescue Plan Rural Distribution
Assistance Listing #: 93.498
Assistance Listing Title: COVID-19 - Provider Relief Fund and American Rescue Plan Rural Distribution – Period 4 and Period 5
Award Year(s): January 1, 2020 – December 31, 2022 and January 1, 2020 – June 30, 2023

Criteria
Step Six of the Steps on Reporting on Use of Funds section of the June 11, 2021 Provider Relief Fund ("PRF") General and Targeted Distribution Post-Payment Notice of Reporting Requirements requires recipients that apply PRF payments toward lost revenues to use one of the following three options for calculating lost revenues:
• Option (i): difference between actual patient care revenues and actuals for each quarter during the period of availability;
• Option (ii): difference between budgeted (budget approved prior to March 27, 2020) and actual patient care revenues for each quarter during the period of availability; or
• Option (iii): any reasonable method of estimating revenues

Condition
Through our testing of the JHHS affiliate, Johns Hopkins Regional Physicians' (JHRP) period 4 HRSA reporting portal submission, we identified a $168,000 discrepancy between the actual patient care revenue amount input into the portal for Q3 2021 and the actual patient care revenue amount per JHRP's general ledger, which supports it's lost revenue calculation.

Cause
The actual patient care revenue for Q3 2021 used within the lost revenue calculation reported via the HRSA portal differed from the amount per the general ledger due to additional revenues other than patient care revenue being included in the HRSA portal reporting.

Effect
Inputs into the lost revenue calculation were not accurate and impacted the total lost revenue calculated by JHRP for Q3 2021. However, the amounts input incorrectly into the "Total Revenue/Net Charges from Patient Care" line for Q3 2021 did not have an impact on lost revenue that JHRP could claim in the reporting period as JHRP maintained sufficient capacity in amounts that qualified for use. Additionally, the impact from correcting the input error increased the lost revenue of JHRP for Q3 2021 by $168,000.

Questioned Costs
There are no questioned costs associated with this finding as the exceptions noted relate to an aspect of reporting which would have increased the potential qualifying funds of JHRP.

Recommendation
Management should implement procedures to ensure that the lost revenue calculation used to report data into the HRSA portal is reconciled to patient care revenues per the general ledger.

Management's Views and Corrective Action Plan
Refer to Management's Views and Corrective Action Plan at the end of this report.

Section III B – State Award Findings and Questioned Costs

There were no findings required to be reported under Section 215.97, Florida Statutes; or Chapter 10.650, Rules of the Florida Auditor General.

Federal Programs

There were no findings or questioned costs from prior years requiring an update in this report.

State Programs

There were no findings or questioned costs from prior years requiring an update in this report.

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JOHNS HOPKINS
MEDICINE
JOHNS HOPKINS HEALTH SYSTEM

March 15, 2024

The following are the Views and Corrective Action Plans of Management regarding the Schedule of Findings and Questioned Costs for the year ended June 30, 2023 for Johns Hopkins Health System Corporation:

Finding 2023-001: COVID-19 Provider Relief Fund and American Rescue Plan Rural Distribution Reporting

Cluster: Not applicable
Federal Agency: Department of Health and Human Services ("HHS")
Award Name: Provider Relief Fund and American Rescue Plan Rural Distribution
Assistance Listing #: 93.498
Assistance Listing Title: COVID-19 - Provider Relief Fund and American Rescue Plan Rural Distribution – Period 4 and Period 5
Award Year(s): January 1, 2020 – December 31, 2022 and January 1, 2020 – June 30, 2023

Management agrees with the finding and recommendation. Management notes that the period 4 HRSA reporting was more conservative and reported lower lost revenue. Management further notes that none of the miscalculated lost revenues were applied to any funding received as JHRP maintained sufficient capacity in amounts that qualified for use. Management reviewed the processes and controls in place for other reporting entities and is comfortable that the error was isolated to a control breakdown for the specific JHRP filing. Management notified HRSA to report the error and advise on next steps. Per HRSA's advice, JHRP cannot restate period 4 HRSA reporting since there are no future reporting periods for a correction to be made. Management has documented the correction should there be any additional inquiries.

Sincerely,

DocuSigned by:
Benjamin Thompson
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Benjamin Thompson
Assistant Director of Financial Reporting
Johns Hopkins Health System
Phone Number: 443-997-5743